Welding experiance

I learned welding at Fresno City College in Fresno Calif. I went to night classes from 1972 to 1978. At F.C.C. I accumulated 94 units, all in welding and related courses, including Gas, Arc, MIG, TIG,&Flux core. For mild steel, stainless steel, and aluminium. In 1977 and 1978 I was classified as Lab assistant, where my funtion was to teach the manipulative portions of both advanced Arc and advanced Gas classes.

My practical experiance started in 1973 when I hired on at Valley Foundry and Machine Works in Fresno Calif. as a welder. My duties there included welding mild and stainless steel with Arc and Mig, operating shears, press breaks, rolls, ect. in the fabrication of wine making equipment for the larger Calif. Wineries.

In June of 1975 I went to work for Suburban Steel, a structural steel fabricator in Fresno. At Suburban I certified in G6 position pipe, and flux core. I started as a welder and advanced to the position of layerout before leaving in 1979. While there my duties included everything from welding to interperiting blueprints and directing the crew.

After I Quit Suburban I moved to Questa N.M. where I went to work for Roadrunner Welding, a welding job shop, as Shop Forman. At Roadrunner my duties included estimating cost, directing crew, interperiting and making detailed drawings, shop fabrication and field erection.

When work at the Roadrunner slowed in jan of 1980 I went to work for Centenial Development Corp. as Lead Welder.

In Jan 1981 I went to work for NORSIGO where I built a flotation mill in Leadville Colorado.

In the spring of 1982 I built a series of suction gold dredges (3",4", & 6") which I operated in central Calif.

In June 1982 I went to work for Feather Forks Mines Ltd. There I built a placer gold mill.

In 1984 I worked at the John Jay mine where my duties included all the welding nessisary to reopen an underground gold mine, including fabrication of a new headframe on site.

My most recient welding job was building a cyanide leach mill in fairbanks Alaska. There I refited and installed equipment to vat leach gold ore.

Military Service

I served one tour of duty in the U.S.Navy as a Hospital Corpsman and Aviation Medical Tech.

Charles H. KING IV
526 E. 5th ST.
Loveland, Co. 80537
(303) 669-4742

MILTON C. HEANEY

April 1987

Licensed Geologist with mining and construction background.
Experienced in all phases of mining from preliminary evaluation through design, construction and operation.

SKILLS

Extensive career experience in minerals development from initial prospect through research, project conception and design, construction, economics, start up and operations.

Thorough working knowledge of ore identification, evaluation, testing and treatment, and mining method and equipment selection for open pit, dredging and underground operations.

Management positions in mines and with operations including personnel, safety and security.

Background work has included ownership determinations, leasing and optioning properties, permit acquisitions and negociations with regulatory agencies concerning environmental impact statements, construction requirements and operational details.

PROJECTS

Western Heavy Minerals Co., Inc., California.
Cyanide Heap Leach development for gold and silver. Properties were located, prospected and developed. Planned and managed the development and plant construction, including leach pads, plastic/clay-lined holding ponds of 68,000 and 400,000 gallons and five other earth fill dams. Designed and constructed the recovery and electro-winning systems. Installed over one mile of double wall solution piping; engineered water evaporation system to eliminate excess rainfall. Handled capitalization, hiring and payroll.

Tungo Mining Co., California
Initial property evaluations, sampling, ore blocking, mill design and initial production for a low-molybdenum tungsten deposit with associated gold.

Panterra Resources Inc., International Gold Specialties and associates, California. Project under evaluation. Planned drilling and ore development.

Delfino Mining Co., Yerington, Nevada.
Initial evaluations and preliminary ore blocking. Drilling, trenching is planned. Potential tank leach plant operation.

Forkner Placer property, California.
Property evaluation. Planned installation of large dredging operation. Awaiting financing.

Spencer Mining Co. Gerlock, Nevada.
Completed exploration, geologic evaluation and drilling program on property of over 3000 acres. Possible large leach operation.

Good Hope Partnership, California
Advanced stages of prospecting, evaluation and plans for installation of mill. Two mines are planned to be reactivated. Work on this property included running over 30000 line feet of EM-VLF surveys with delineation of a number of favorable zones. Follow up diamond drilling completed. Sampling of existing ore and reserves established.

Albion Hill properties of Western Minerals Co., California
Completed prospecting of this large property. Six major veins were located and sampled. Exploration included EM-VLF, trenching and diamond drilling. Further planned work - open old mine and a geo-chemical survey.

Black Hawk Mines, Inc., California
Drilled and sampled large desert placer. Completed evaluation.

Rawhide Placers, Rawhide, Nevada
Drilled and sampled gravel channel, depth 100 feet, five miles. Completed evaluation.

Lucern Valley Placers, California
Drilled and completed sampling. Alluvial fan deposits.

Paradise Mines, Inc., California
Exploration, geologic mapping and planning for further work to delineate lava capped placer. Work will include a geo-physical survey.

Copper Lode Mines, Oregon
Exploration, mapping of large copper-gold property in southern Oregon. Trenching, sampling and EM-VLF work completed.

Beaver Mines Co., Utah
Exploration, mapping, trenching on five large properties for silver. One property drilled with reverse circulation.

Cachuma Mining Co., Santa Barbara County, California
Evaluation of 25 mining claims which contain chrome, mercury, copper, gold and silver. Four large EM-VLF surveys completed in selected areas.

Manley Brothers Silica Co., Illinois. California based exploration for silica, heavy and refractory foundry supply. Included property evaluations, economics of minerals and selection of possible equipment for production.

Nix Chrome properties, Ukiah, California
Evaluation of 1800 acre property for chrome, copper and gold.

Heavy Minerals Co., Inc. California
Numerous evaluations, mostly placer deposits by drilling and ore testing regarding heavy minerals, zircon, titanium minerals, tungsten and gold.

Other current work includes consultation or coordination with individuals in California, Nevada, Utah, Arizona and Virginia.

Other projects are pending, placers in Utah, Nevada and California, evaluations two in Arizona, California, Nevada and Virginia. Also discussions which may lead to exploration in several West African countries.

Engineering Geologist for State of California, Division of Structures. Bridge foundations, tunneling projects and miscellaneous structures support.

Geologist on staff of mines exploration company. Supervised exploration crews, EM-VLF surveys, etc.. Finished geologic reports were completed.

MISCELLANEOUS

KATO International, New York, N.Y.
Brown Bear Mining Co., Mariposa County, California
Lindsey & Assoc., Placerville, California
Halstrom & Lindbladt Gold Co., Loomis, CA
John Pantle Gold Co, Plymoth, CA
Natomas Dredging Co., Folsom, CA
Penryn Drift Mine, Penryn, CA
Keables Drilling Co., Sacramento, CA
Central Oil & Mining, Salt Lake City, Utah

Miscellaneous skills -

Electrician - wired over 150 homes and several industrial plants.
Plumber - experienced
designed and constructed four homes.
Well drilling - drilled more than 100 wells.
Draftsman - experienced.

Specialty: Mining & Engineering Geology (1947-1952)
Mackey School of Mines, University of Nevada, Reno, Nevada
Placer College, Auburn, California

Certification: Registered Geologist - California No. 2829
Registered Engineering Geologist - California No. EG 827

Professional affiliations:

Sierra Nevada Section, Society of Mining Engineers of AIME
Geological Society of Sacramento

OVERMYER

HISTORICAL BACKGROUND

In 1947, Daniel H. Overmyer started the D.H. Overmyer Warehouse Company in Toledo, Ohio. From small beginnings in an office with two employees, himself and a secretary, the firm grew into a national and later an international network of industrial real estate and public warehousing.

In its early years, the firm branched out into Cleveland and into the southern states. From there, facilities spread across the continent and today 35,000,000 square feet of space are available to manufacturing communities in 65 major marketing and distribution centers across the U.S. and Canada.

Although public warehousing was at one time the backbone of the Overmyer business, over the years demand increased for leased space contracts in tenant operated facilities. As a result, a highly functional, standardized building evolved, which offers maximum storage efficiency under its 30 foot ceilings. However, public warehousing is now operating in eight million of the 35 million square feet the Overmyer network comprises.

Now called the Overmyer Company, it is the largest firm of its kind, employing 3,000 people.

In 1970, the Company branched out into Europe. Headquarters for the wholly owned subsidiary of Overmyer AG were opened in Zurich. The following year, offices were established in Germany, Italy, France and Spain. Recently, the UK rounded out the European picture.

At the same time the expansion overseas got under way, Daniel H. Overmyer decided to enlarge the line of buildings with six new types of structures.

The Universally accepted Standard Overmyer building underwent an evolutionary change and was spruced up to tenants requirement for special features. A Flexible Building was added to the line to offer a wider choice of space arrangements to the user. The innovative Modular Building will permit a tenant to have elegant office facilities under the same roof with his storage space. The planned Major Distribution Center will offer a consolidating point of mixed freight services to the large multi-faceted corporation to speed the flow of goods to the consumer. Personal Storage Centers will be built near industrial parks to offer extra space to the smaller manufacturer. The Built-to-Suit program will present a wide variety of designs to those clients or investors, that demand special accommodations.

All of these new structures will follow the new concept of our age. They combine modern functionality with visual attraction. Surrounded by landscaping and trees, they will be an asset to any community.

Preliminary Plan of Operation
Tombstone Silver Mining Project

Introduction

The Tombstone silver project will have two initial targets. The first priority will be to rehabilitate a 200 foot deep existing shaft, and extending it to a depth where the ore changes from oxide to sulfide. Once the shaft has reached this trasition zone drifts will be driven, on strike, each direction and mining will begin. The other target is a limited open pit operation.

Existing Shaft

The existing shaft is located north of the Chance claim, on a vein just east of the Bonanza vein. This shaft is presantly standing open, and should be easely rehabilitited. This shaft is aprox. 200 ft. deep. It is reported that workings just below the 200 ft. level of a shaft on the same vein aprox. 50 ft. north had silver values of 1,200 ounces per ton.

Open Pit

There are several open pit targets on the XXX, Merrimac, and Clipper claims. We should be able to mine these deposits to a depth of 30-50 ft.. The length and width of these pits cannot be determined at this time.

Projected Schedule for Development

Weeks 1-3

1) Set up at shaft
   A) Pour concrete collar.
   B) Move hoist and headframe from State of Maine claim.
   C) Build hoist house.
   D) Set up dry house.
   E) Set air compressor.

Crew will consist of 3 miners and 1 mechanic/welder. Working 10 hrs. per day 5 days a week.

2) Overburden at the open pit site will be dozed off to expose the mineralized zone. This will be done by on operator working 10 hrs. a day 5 days a week.

Weeks 4-10

1) Rehabilitate shaft.
   A) Retimber where nessassary.
   B) Install rail
   C) Establish manway
   D) Install air and water pipe, and power cable.

   Crews will be 2 miners and 1 Hoistman on rotating shifts 10 hrs. per shift and 1 mechanic/welder on straight day shift.

2) Start production at open pit.
   A) Drill with an airtrack.
   B) Muck with front end loader.
   Crew will be 2 miners working 10 hrs. per day 5 days a week. This crew will only work day shift.

3) ~~Rehabilitate Mill.~~
   ~~A) Install jaw crusher.~~
   ~~B) Install shaker screen.~~
   ~~C) Install final crusher (roll or gyrocone).~~
   ~~D) Reline hoppers where needed.~~
   ~~Crew will consist of 2 welders and 2 laborers working 10 hrs. per day 5 days a week. Day shift only.~~

WILL CUSTOM MILL AT ALANCO MILL.

4) Once shaft is rehabed a core drilling station will set up in the old workings on the bottom level. From this station holes will be drilled out horizontaly to locate additional veins. Core drilling will be done by contractor.

Weeks 11-15

1) Sink shaft an additional 100 ft. Same crews
2) Start mill. Crews will be 2 mill hands per crew working rotating shifts of 8 hrs. each. Three shifts per day.

Weeks 16-18

1) Set up shaft station at level of transition from oxide to sulfide ore.
   A) Drive 8x12 ft. drift 50 ft. on vein.
   B) Set slusher.
   C) Blast in ore pocket.
   D) Set up loading shoot.
   Same crews.

Weeks 19-29

1) Drive drift each direction on vein.
   A) North drift will be driven to edge of claim.
   B) South drift will be driven aprox. 1,000 ft.
   Same crews.

Weeks 30-32

1) Start running raises every 100 ft along drifts.
2) Start cross cut drift to other veins.
   2 additional miners per crew, and one hand per crew to man the loading station.

Weeks 33-34

1) Continue raises.
2) Start subleveling of raises.

3) Set up core drilling station at the end of the cross
   cut drift.
4) Start drifting on the #2 vein.
   2 additional miners per crew.

Week 35 on

1) Continue sublevels.
2) Continue drift on #2 vein.
3) Start stopeing on #1 vein.

Projected Tonnages per Day

Week	Description	Open Pit	Underground	Total
1-3	Set up at shaft, and remove over-burdon at pit.	0	0	0
4-10	Start pit. Rehab shaft. Set up core stat. Rehab mill.	30	0	30
11-15	Sink shaft another 100 ft. Start mill	40	30	70
16-18	Set up shaft station.	40	30	70
19-29	Drive drift each direction on vein.	40	75	115
30-32	Start raises. Start cross cut.	40	100	140
33-34	Continue raises. Start sublevels. Start drift on #2 vein.	40	150	190
35-	Continue sublevels. Start stopeing. Continue drift on #2 vein.	40	260	300

Number of Hourly Employees and Total Wages per Day

Weeks	Underground		Open Pit		Mill		Total		
	Hands	Wages	Hands	Wages	Hands	Wages	Hands	Wages	
1-3	4	$440	1	$110	0	0	5	$550	
4-10	7	$770	2	$ 220	4	$345	13	$1,335	
11-30	7	$770	2	$220	6	$336	15	$1,326	
30-32	12	$1,320	2	$220	6	$336	20	$1,876	
33-	16	$1,760	2	$220	6	$336	24	$2,316	

Silver Value per Ton, and per 300
Ton (Daily Mill Run)

Ounces per Ton of Silver	$7.00 per ounce		$7.50 per ounce		$8.00 per ounce		$8.50 per ounce	
	Ton	Day	Ton	Day	Ton	Day	Ton	Day
7.5 opt	$52.50	$15,750	$56.25	$16,875	$60.00	$18,000	$63.00	$19,125
10 opt	$70.00	$21,000	$75.00	$22,500	$80.00	$24,000	$85.00	$25,500
15 opt	$105.00	$31,500	$112.50	$33,750	$120.00	$36,000	$127.50	$38,250
20 opt	$140.00	$42,000	$150.00	$45,000	$160.00	$48,000	$170.00	$51,000
25 opt	$175.00	$52,500	$187.50	$56,250	$200.00	$60,000	$212.50	$63,750
50 opt	$350.00	$105,000	$375.00	$112,500	$400.00	$120,000	$425.00	$127,500
100 opt	$700.00	$210,000	$750.00	$225,000	$800.00	$240,000	$850.00	$255,000
500 opt	$3,500.00	$1,050,000	$3,750	$1,125,000	$4,000	$1,200,000	$4,250.00	$1,275,000
1,000 opt	$7,000	$2,100,000	$7,500	$2,250,000	$8,000	$2,400,000	$8,500.00	$2,550,000

Cost for four months
Tombstone Silver project

Employee wages (hourly)

Weeks 1-3	$2,750 per week	$8,250 total
Weeks 4-10	$8,215 " "	$57,505 " "
Weeks 11-16	$8,842 " "	$53,052 " "
		$118,807
	30% for tax and benifits	$35,642
		$154,449

In addition to the hourly employees will be a Project Superintendant with a $4,000 a month salary. Total for four months including tax and benifits $20,800

	Total wages	$170,500
Leased equipment $5,000 per month		$20,000
Explosives		$41,200
Mining supplies		$60,000
Custom Milling		$50,000
		$341,700
10% Contingency		$34,170
	Total	$375,870

After the initial four months the Project will be self supporting.

RECEIVED MAY 1 0 1988

Donald O'Neil Heck
Donald O'Neil Heck, P.C.
7322 East Thomas Road
Scottsdale, Arizona 85251
(602) 949-7037

Attorney for Debtor

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re: TOMBSTONE SILVER MINES, INC., Debtor.	In Proceedings Under Chapter 11 NO. 87-0517 PHX GBN NOTICE OF STIPULATION FOR FOR RELIEF FROM THE AUTOMATIC STAY PURSUANT RULE 4001 (d)

NOTICE TO: ALL SECURED CREDITORS, TWENTY LARGEST UNSECURED CREDITORS AND INTERESTED PARTIES:

Pursuant to Bankruptcy Rule 4001 (d), you are hereby notified that the Debtor, Debtor-in-Possession and Thunderbird Bank, a secured creditor, have filed a Joint Motion And Stipulation To Lift Stay And Transfer Assets. The terms of the agreement between the Debtor, Debtor-in-Possession and Thunderbird Bank are set forth in the attached copy of the Joint Motion And Stipulation To Lift Stay And Transfer Assets which is incorporated into this Notice as Exhibit "A". The secured property being transferred pursuant to the stipulation and motion is:

a. One (1) Taylor 36" Gyratory Cone Crusher, serial number 840-18.

b. One (1) Caterpillar Generator, 250 KVA, serial number 205SH794.

c. One (1) 8' x 36" Apron Feeder.

d. One (1) 55' x 24" Channel Iron Frame Conveyor.

All creditors and parties having an interest in the subject property shall file their written objection, if they have any such objection, with the Clerk of the United States Bankruptcy Court, 230 North First Avenue, 5th Floor, Phoenix, Arizona, 85025, not later than fifteen (15) days from the date of mailing of this Notice and shall serve copies upon the following:

Donald O'Neil Heck
Donald O'Neil Heck, P.C.
7322 East Thomas Road
Scottsdale, Arizona 85251
Attorney for Debtor and Debtor-in-Possession

John C. Shultz
Shultz, Worischeck & Lane, P.A.
1001 North First Street
Post Office Box 271
Phoenix, Arizona 85001
Attorney for Creditor Thunderbird Bank

Failure to file an objection within the time period set forth above shall result in the entry of an Order approving the Joint Motion And Stipulation To Lift Stay And Transfer Assets.

Dated and mailed this 9th day of May, 1988.

Donald O'Neil Heck, P.C.

By: Donald O'Neil Heck
Donald O'Neil Heck
7322 East Thomas Road
Scottsdale, Arizona 85251
Attorney for Debtor and Debtor-in-Possession

Donald O'Neil Heck
DONALD O'NEIL HECK, P.C.
7322 E. Thomas Road
Scottsdale, Arizona 85251
602/949-7037

Arizona State Bar #: 004205

Attorney for Debtor

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In Re: TOMBSTONE SILVER MINES, INC., Debtor.	In the Proceedings Under Chapter 11 NO. 87-0517 PHX GBN JOINT MOTION AND STIPULATION TO LIFT STAY AND TRANSFER ASSETS

The debtor, debtor-in-possession, and creditor THUNDERBIRD BANK hereby jointly move and stipulate as follows:

1. At the time the debtor filed its Petition on January 28, 1987, the debtor owed creditor THUNDERBIRD BANK the principal sum of $52,529.02, plus accrued interest of $4,599.47. The obligation was past due and accrues interest at the rate of $14.01 per day.

2. The debtor's obligation is past due and is payable in full.

3. The obligation due to creditor THUNDERBIRD BANK is secured by a first lien upon the following equipment of the debtor:

a. One (1) Taylor 36" Gyratory Cone Crusher, serial number 840-18.

b. One (1) Caterpillar Generator, 250 KVA, serial number 205SH794.

c. One (1) 8' x 36" Apron Feeder.

d. One (1) 55' x 24" Channel Iron Frame Conveyor.

4. The fair market value of the equipment is FIFTY SEVEN THOUSAND DOLLARS ($57,000.00).

5. Pursuant to an agreement between the debtor, debtor-in-possession, creditor THUNDERBIRD BANK and DELBERT L. PIERSON and KAREN L. PIERSON, the crusher has been moved to 10101 W. Glendale Avenue in Maricopa County, Arizona. The PIERSONS have agreed to pay THUNDERBIRD BANK the sum of FIFTY SEVEN THOUSAND DOLLARS ($57,000.00) by June 1, 1988. Upon payment of the sum, ownership of the crusher will be transferred to the PIERSONS. (A copy of the letter agreement is attached.)

6. THUNDERBIRD BANK will credit all sums received from the PIERSONS against the debtor's obligation and will accept payment of the FIFTY SEVEN THOUSAND DOLLARS ($57,000.00) from the PIERSONS as full settlement and payment of the debtor's obligation. THUNDERBIRD BANK will further remit approximately five (5) percent of sums received from the PIERSONS to the debtor up to an approximate total sum of $4,470.00.

7. The Stay Order against creditor THUNDERBIRD BANK should be lifted and the agreement for the transfer of the crusher to the PIERSONS in full satisfaction of the debtor's obligation to creditor THUNDERBIRD BANK should be approved.

RESPECTFULLY SUBMITTED this 26th day of April, 1988.

DONALD O'NEIL HECK, P.C.

By Donald O'Neil Heck
Donald O'Neil Heck
7322 E. Thomas Road
Scottsdale, AZ 85251
Attorney for Debtor,
TOMBSTONE SILVER MINES, INC.

SHULTZ, WORISCHECK & LANE, P.A.

By J C Shultz
John C. Shultz
1001 N. First Street
P. O. Box 271
Phoenix, AZ 85001
Attorney for Creditor,
THUNDERBIRD BANK

FEE # 881022717
OFFICIAL RECORDS
COCHISE COUNTY
DATE HOUR
10/31/88 4
REQUEST OF
JABA INC
CHRISTINE RHODES-RECORDER
FEE : 14.00 PAGES : 4

RECORDING REQUESTED
BY & MAIL TO

James A. Briscoe, Agent
5701 E. Glenn St., #120
Tucson, AZ 85712

PROOF OF LABOR

STATE OF Arizona....)
)ss.
COUNTY OF Pima......)

BEFORE ME, personally appeared James A. Briscoe, President, James A. Briscoe & Associates, Inc., an Arizona Corporation, who, being duly sworn, says: My current address is 5701 E. Glenn St., #120, Tucson, Arizona 85712, my current residence is as above. Certain labor and/or improvements required by law were performed or made on or for the benefit of the following lode mining claim(s), (which together comprise a group of non-contiguous claims) located in the Tomsbtone Mining District of Cochise County, Arizona, in the mining assessment work year ending on September 1, 1988, as follows:

Name of Claim (in full)	Mining Records Original Location Book	Page	Mining Records Original Location Book	Page
T.S.A. Lode Claim Group (see Attachment 1)				

The work performed and/or improvements made consisted of the following:

Technical studies including geological, geochemical and geophysical surveys, see Attachment 2.

The total fair and reasonable value thereof was at least $5,000.00, and the amount and value thereof on or for the benefit of each claim was $100.00 or more. The name and address of the person who performed the labor or made the improvements, as known to me, are: All work was performed by or for James A. Briscoe & Associates, Inc., 5701 E. Glenn St., #120, Tucson, Arizona 85712, Telephone (602) 721-1375, under the direction of James A. Briscoe, Registered Professional Geologist, State of California #518 and Arizona #9424, owner of the firm. (For others performing work, see Attachment 2).

The undersigned, acting as agent for the mining claim owner(s) whose address(es) is(are):

NAME	CURRENT MAILING ADDRESS
James A. Briscoe & Associates, Inc.	5701 E. Glenn St., #120 Tucson, Arizona 85712

The above listed claims are held and claimed by the owner(s) for the valuable lode minerals contained therein.

James A. Briscoe & Associates, Inc. (Agent)

By James A. Briscoe
James A. Briscoe, President

SUBSCRIBED AND SWORN TO before me by James A. Briscoe, known to me to be the President of the corporation performing work described herein above, and that executed the within instrument on behalf of the above named owner on this 30th day of September, 1988.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal.

Guadalupe Gonzalez a Notary Public in and for said County and State
Notary Signature

My Commission Expires: 8/7/92

881022717

ATTACHMENT 1

T.S.A. LODE MINING CLAIM GROUP MASTER CLAIM LIST
TOMBSTONE MINING DISTRICT
COCHISE COUNTY, ARIZONA
CLAIMS LOCATED JANUARY, 1984

CLAIM NAME/ NUMBER	BOOK	PAGE	B.L.M. SERIAL NUMBER	LEGAL	LEGAL DESCRIPTION SECTION	TOWN-SHIP	RANGE	MERIDIAN
T.S.A.# 1	1741	286	A-MC- 215430	SE1/4	19	20S.	23E.	G.&S.R.B.M.
				NE1/4	30	20S.	23E.	G.&S.R.B.M.
T.S.A.# 2	1741	288	A-MC- 215431	SE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 3	1741	289	A-MC- 215432	SE1/4	19	20S.	23E.	G.&S.R.B.M.
				NE1/4	30	20S.	23E.	G.&S.R.B.M.
T.S.A.# 4	1741	290	A-MC- 215433	SE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 5	1741	291	A-MC- 215434	SE1/4	19	20S.	23E.	G.&S.R.B.M.
				SW1/4	19	20S.	23E.	G.&S.R.B.M.
				NW1/4	30	20S.	23E.	G.&S.R.B.M.
				NE1/4	30	20S.	23E.	G.&S.R.B.M.
T.S.A.# 6	1741	292	A-MC- 215435	SE1/4	19	20S.	23E.	G.&S.R.B.M.
				SW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 7	1741	293	A-MC- 215436	NE1/4	19	20S.	23E.	G.&S.R.B.M.
				NW1/4	20	20S.	23E.	G.&S.R.B.M.
T.S.A.# 8	1741	294	A-MC- 215437	SE1/4	18	20S.	23E.	G.&S.R.B.M.
				NE1/4	19	20S.	23E.	G.&S.R.B.M.
				SW1/4	17	20S.	23E.	G.&S.R.B.M.
				NW1/4	20	20S.	23E.	G.&S.R.B.M.
T.S.A.# 9	1741	295	A-MC- 215438	NE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 10	1741	296	A-MC- 215439	SE1/4	18	20S.	23E.	G.&S.R.B.M.
				NE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 11	1741	297	A-MC- 215440	NE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 12	1741	298	A-MC- 215441	SE1/4	18	20S.	23E.	G.&S.R.B.M.
				NE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 13	1741	299	A-MC- 215442	NE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 14	1741	300	A-MC- 215443	SE1/4	18	20S.	23E.	G.&S.R.B.M.
				NE1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 15	1741	301	A-MC- 215444	NE1/4	19	20S.	23E.	G.&S.R.B.M.
				NW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 16	1741	302	A-MC- 215445	SE1/4	18	20S.	23E.	G.&S.R.B.M.
				SW1/4	18	20S.	23E.	G.&S.R.B.M.
				NE1/4	19	20S.	23E.	G.&S.R.B.M.
				NW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 17	1741	303	A-MC- 215446	NW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 18	1741	304	A-MC- 215447	SW1/4	18	20S.	23E.	G.&S.R.B.M.
				NW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 19	1741	305	A-MC- 215448	NW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 20	1741	306	A-MC- 215449	SW1/4	18	20S.	23E.	G.&S.R.B.M.
				NW1/4	19	20S.	23E.	G.&S.R.B.M.
T.S.A.# 21	1741	307	A-MC- 215450	NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 22	1741	308	A-MC- 215451	NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 23	1741	309	A-MC- 215452	NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 24	1741	310	A-MC- 215453	NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 25	1741	311	A-MC- 215454	NE1/4	24	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 26	1741	312	A-MC- 215455	NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 27	1741	313	A-MC- 215456	NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 28	1741	314	A-MC- 215457	NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 29	1741	315	A-MC- 215458	NE1/4	23	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 30	1741	316	A-MC- 215459	SW1/4	18	20S.	23E.	G.&S.R.B.M.
T.S.A.# 31	1741	317	A-MC- 215460	SE1/4	13	20S.	22E.	G.&S.R.B.M.
				NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 32	1741	318	A-MC- 215461	SE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 33	1741	319	A-MC- 215462	SE1/4	13	20S.	22E.	G.&S.R.B.M.
				NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 34	1741	320	A-MC- 215463	SE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 35	1741	321	A-MC- 215464	SE1/4	13	20S.	22E.	G.&S.R.B.M.
				NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 36	1741	322	A-MC- 215465	SE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 37	1741	323	A-MC- 215466	SE1/4	13	20S.	22E.	G.&S.R.B.M.
				NE1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 38	1741	324	A-MC- 215467	SE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 39	1741	325	A-MC- 215468	SE1/4	13	20S.	22E.	G.&S.R.B.M.
				SW1/4	13	20S.	22E.	G.&S.R.B.M.
				NE1/4	24	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 40	1741	326	A-MC- 215469	SE1/4	13	20S.	22E.	G.&S.R.B.M.
				SW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 41	1741	327	A-MC- 215470	SW1/4	13	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 42	1741	328	A-MC- 215471	SW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 43	1741	329	A-MC- 215472	SW1/4	13	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 44	1741	330	A-MC- 215473	SW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 45	1741	331	A-MC- 215474	SW1/4	13	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 46	1741	332	A-MC- 215475	SW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 47	1741	333	A-MC- 215476	SW1/4	13	20S.	22E.	G.&S.R.B.M.
				NW1/4	24	20S.	22E.	G.&S.R.B.M.
T.S.A.# 48	1741	334	A-MC- 215477	SW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 49	1741	335	A-MC- 215478	SW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.A.# 50	1741	336	A-MC- 215479	SW1/4	13	20S.	22E.	G.&S.R.B.M.

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ATTACHMENT 2

SUMMARY REPORT OF YEARLY ASSESSMENT ACTIVITIES

October 4, 1988

This detailed report is filed in partial compliance with the requirements of Title 30, United States Code, Section 28-1 for the T.S.A. claims, a non-contiguous group of 50 unpatented lode mining claims. situated in the Tombstone Mining District of Cochise County, State of Arizona.

The work consisted of:

1. Geochemical sampling of bedrock;

2. Reduction of geological data to standard scale computerized geologic map coverage of the area;

3. Analysis , organization, filing and computer logging of old production reports, geological, geophysical and geochemical maps from previous mining activities;

4. Annotation to computerized geological base map of geological data acquired during previous underground mining eras with more recent information acquired by other companies and governmental agencies;

5. Continued geologic and alteration mapping from both aerial photography and ground truth reconnaissance;

6. Re-monumentation and marking of claim monuments removed by vandalism; and

7. Spotting of drill hole locations.

This work was performed on each individual claim, and, in part, over the entire claim group to evaluate the discovery of valuable lode mineral deposits located thereon, and to assist in planning further exploration and development work. The work was performed throughout the period from September 1, 1987, to August 31, 1988, by or for JABA, Inc, 5701 E. Glenn St., #120, Tucson, Arizona 85712, telephone (602)721-1375, under the direct supervision of James A. Briscoe, a Registered Professional Geologist for 18 years in the State of California (No. 518) and Arizona (No. 9424), with degrees from the University of Arizona (B.S. Geology, M.S. Geology, 1967). Other persons performing work upon said claim group were:

Thomas E. Waldrip, Jr., Geologist/Landman, B.S. Geology, University of Arizona, 4426 E. Patricia St., Tucson, Arizona 85712

Mardee A. Stewart, Business Manager, A.S. Hospital Management. Lasell Junior College, 5701 E. Glenn St., #120, Tucson, Arizona 85712

Charles "Bailey" Escapule, Jr., B.S. Geological Engineering, University of Arizona, P.O. Box 1016, Tombstone, Arizona 85638

Quentin Macdonald, Geologist, B.S. Geology, Montana State University, c/o JABA, Inc., 5701 E. Glenn St., #120, Tucson, Arizona 85712

Various other JABA Inc., professional staff. field/office technicians and consultants.

Professional and other services provided by:
Tucson Blueprint, P. O. Box 27266. Tucson, Arizona 85726
Charlou Corporation, computer drafting and analysis, P. O. Box 1016, Tombstone, Arizona 85638

The cost of non-scientific assessment activities and/or geological, geochemical and geophysical studies exceeded $5,000.00. and was paid for by the Owners of subject mining claims.

The basic findings to date from past and continuing technical studies performed on this non-contiguous claim group are:

1. The terrain in the Tombstone area is composed of a Mesozoic to Cenozoic complex of igneous intrusive dikes and stocks intruding into sediments, ranging from fine-grained Paleozoic and Mesozoic marine limestones to a complex of Mesozoic shales, calcareous mudstones and quartzites. The igneous intrusive rocks are of dioritic to granodioritic composition and in many outcrops are hard to identify because of the attendant hydrothermal alteration. Intruded, sedimentary host rocks have undergone varying degrees of contact metamorphism outward from the intrusive bodies. Re-crystallization, silicification and formation of a suite of cal-silicate materials are all exemplified in the district.

2. Mineralization in the area of the claim group can be categorically assigned to four main modes of occurrence:

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A. Gold, silver, lead, zinc and manganese mineralization found as rather distinct vein zones within or associated with northeasterly trending dike rock as exhibited by the Contention - Grand Central Dike areas;

B. "Roll" type deposits associated with regional folding of the sedimentary host rocks. These deposits are replacements of selective or more reactive horizons within the host or zones of greater permeability associated with the structurally prepared anticlinal axis of closely spaced north-northwesterly trending dragfolds;

C. Gold and silver mineralization along fault zones, both within the fault zones and as replacement bodies in reactive wall rocks; and

D. Disseminated precious metal mineralization associated with altered sediments in contact with early Tertiary acidic intrusive rocks.

3. Geochemical assays of the intrusive dikes and host sediments points to anomalous concentrations of gold and silver in these units. Interpretation of these assays suggest the presence of a medium grade gold-silver ore body with a potential for economic recovery of these metals by traditional cyanide heap leaching. To date, test leaching of sample ores, and results obtained from these tests, corroborate the above interpretations.

These results have hastened efforts to delineate, extend, and develop, by scientific principles, known and suspected areas of valuable mineral content, within the boundaries of subject mining claims.

An exploration-development program consisting of drilling, sampling, geological, geochemical, and geophysical studies, is presently under consideration for this property. All technical work and results are in the possession of and are considered to be the exclusive property of JABA Inc., the owner of subject mining claims with offices at 5701 E. Glenn St Suite 120 Tucson, AZ 85712. Attention: Mr. James A. Briscoe, President.

Respectfully submitted,

James A. Briscoe (Agent)
Registered Professional Geologist
Arizona #9424
California #518

REGISTERED GEOLOGIST
CERTIFICATE NO.
9424
JAMES A.
BRISCOE
DATE SIGNED 9/30/88
Arizona U. S. A.

OCT 31 1988 4PM
E-2
5.00

RECORDING REQUESTED
BY & MAIL TO

James A. Briscoe, Agent
5701 E. Glenn St., #120
Tucson, AZ 85712

PROOF OF LABOR

STATE OF Arizona....)
) ss.
COUNTY OF Pima......)

BEFORE ME, personally appeared James A. Briscoe, President, James A. Briscoe & Associates, Inc., an Arizona Corporation, who, being duly sworn, says: My current address is 5701 E. Glenn St., #120, Tucson, Arizona 85712, my current residence is as above. Certain labor and/or improvements required by law were performed or made on or for the benefit of the following lode mining claim(s), (which together comprise a group of contiguous claims) located in the Tomsbtone Mining District of Cochise County, Arizona, in the mining assessment work year ending on September 1, 1988, as follows:

Name of Claim (in full)	Mining Records Original Location Book	Page	Mining Records Original Location Book	Page
T.S. Lode Claim Group (see Attachment 1)				

The work performed and/or improvements made consisted of the following:

Technical studies including geological, geochemical and geophysical surveys, see Attachment 2.

The total fair and reasonable value thereof was at least $5,500.00, and the amount and value thereof on or for the benefit of each claim was $100.00 or more. The name and address of the person who performed the labor or made the improvements, as known to me, are: All work was performed by or for James A. Briscoe & Associates, Inc., 5701 E. Glenn St., #120, Tucson, Arizona 85712, Telephone (602) 721-1375, under the direction of James A. Briscoe, Registered Professional Geologist, State of California #518 and Arizona #9424, owner of the firm. (For others performing work, see Attachment 2).

The undersigned, acting as agent for the mining claim owner(s) whose address(es) is(are):

NAME	CURRENT MAILING ADDRESS
James A. Briscoe & Associates, Inc.	5701 E. Glenn St., #120 Tucson, Arizona 85712

The above listed claims are held and claimed by the owner(s) for the valuable lode minerals contained therein.

James A. Briscoe & Associates, Inc. (Agent)

By James A. Briscoe
James A. Briscoe, President

SUBSCRIBED AND SWORN TO before me by James A. Briscoe, known to me to be the President of the corporation performing work described herein above, and that executed the within instrument on behalf of the above named owner on this 22nd day of September, 1988.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal.

Guadalupe Gonzalez a Notary Public in and for said County and State
Notary Signature

My Commission Expires: 8/7/92

COUNTY OF COCHISE ARIZONA

FEE # 881022716
OFFICIAL RECORDS
COCHISE COUNTY
DATE HOUR
10/31/88 4
REQUEST OF
JABA INC
CHRISTINE RHODES-RECORDER
FEE : 14.00 PAGES : 5

881022716

ATTACHMENT 1

TOMBSTONE PROJECT - MASTER CLAIM LIST
LODE MINING CLAIMS
COCHISE COUNTY, ARIZONA
CLAIMS LOCATED SEPTEMBER, 1981 & FEBRUARY, 1982

CLAIM NAME/ NUMBER	BOOK	PAGE	B.L.M. SERIAL NUMBER	LEGAL	LEGAL DESCRIPTION SECTION	TOWN-SHIP	RANGE	MERIDIAN
T.S.# 125	1546	488	A-MC- 141834	NE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.# 126	1546	489	A-MC- 141835	NE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.# 127	1546	490	A-MC- 141836	SE1/4	12	20S.	22E.	G.&S.R.B.M.
				SW1/4	12	20S.	22E.	G.&S.R.B.M.
				NE1/4	13	20S.	22E.	G.&S.R.B.M.
				NW1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.# 128	1546	491	A-MC- 141837	SE1/4	12	20S.	22E.	G.&S.R.B.M.
				NE1/4	13	20S.	22E.	G.&S.R.B.M.
T.S.# 129	1546	492	A-MC- 141838	SE1/4	12	20S.	22E.	G.&S.R.B.M.
				SW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 130	1546	493	A-MC- 141839	SE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 131	1546	494	A-MC- 141840	SE1/4	12	20S.	22E.	G.&S.R.B.M.
				SW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 132	1546	495	A-MC- 141841	SE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 133	1546	496	A-MC- 141842	SE1/4	12	20S.	22E.	G.&S.R.B.M.
				SW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 134	1546	497	A-MC- 141843	SE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 135	1546	498	A-MC- 141844	NE1/4	12	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
				SE1/4	12	20S.	22E.	G.&S.R.B.M.
				SW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 136	1546	499	A-MC- 141845	NE1/4	12	20S.	22E.	G.&S.R.B.M.
				SE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 137	1546	500	A-MC- 141846	NE1/4	12	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 138	1546	501	A-MC- 141847	NE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 139	1546	502	A-MC- 141848	NE1/4	12	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 140	1546	503	A-MC- 141849	NE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 141	1546	504	A-MC- 141850	NE1/4	12	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 142	1546	505	A-MC- 141851	NE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 143	1546	506	A-MC- 141852	NE1/4	12	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 144	1546	507	A-MC- 141853	NE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 145	1546	508	A-MC- 141854	SE1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	12	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 146	1546	509	A-MC- 141855	SE1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 147	1546	510	A-MC- 141856	SE1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 148	1546	511	A-MC- 141857	SE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 149	1546	512	A-MC- 141858	SE1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 150	1546	513	A-MC- 141859	SE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 151	1546	514	A-MC- 141860	SE1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 152	1546	515	A-MC- 141861	SE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 153	1546	516	A-MC- 141862	NE1/4	1	20S.	22E.	G.&S.R.B.M.
				NW1/4	1	20S.	22E.	G.&S.R.B.M.
				SE1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 154	1546	517	A-MC- 141863	NE1/4	1	20S.	22E.	G.&S.R.B.M.
				SE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 155	1546	518	A-MC- 141864	NE1/4	1	20S.	22E.	G.&S.R.B.M.
				NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 156	1546	519	A-MC- 141865	NE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 157	1546	520	A-MC- 141866	NE1/4	1	20S.	22E.	G.&S.R.B.M.
				NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 158	1546	521	A-MC- 141867	NE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 159	1546	522	A-MC- 141868	NE1/4	1	20S.	22E.	G.&S.R.B.M.
				NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 160	1546	523	A-MC- 141869	NE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 161	1546	524	A-MC- 141870	NE1/4	1	20S.	22E.	G.&S.R.B.M.
				NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 162	1546	525	A-MC- 141871	NE1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 163	1546	526	A-MC- 141872	SW1/4	1	20S.	22E.	G.&S.R.B.M.
				NW1/4	12	20S.	22E.	G.&S.R.B.M.
T.S.# 164	1546	527	A-MC- 141873	SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 165	1546	528	A-MC- 141874	SW1/4	1	20S.	22E.	G.&S.R.B.M.
				SE1/4	2	20S.	22E.	G.&S.R.B.M.
T.S.# 166	1546	529	A-MC- 141875	SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 167	1546	530	A-MC- 141876	SW1/4	1	20S.	22E.	G.&S.R.B.M.
				SE1/4	2	20S.	22E.	G.&S.R.B.M.
T.S.# 168	1546	531	A-MC- 141877	SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 169	1546	532	A-MC- 141878	SW1/4	1	20S.	22E.	G.&S.R.B.M.
				SE1/4	2	20S.	22E.	G.&S.R.B.M.
T.S.# 170	1546	533	A-MC- 141879	NW1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 171	1546	534	A-MC- 141880	NW1/4	1	20S.	22E.	G.&S.R.B.M.
				SW1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	2	20S.	22E.	G.&S.R.B.M.
				SE1/4	2	20S.	22E.	G.&S.R.B.M.

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ATTACHMENT 1 CONT....

TOMBSTONE PROJECT – MASTER CLAIM LIST
LODE MINING CLAIMS
COCHISE COUNTY, ARIZONA
CLAIMS LOCATED SEPEMBER, 1981 & FEBRUARY, 1982

CLAIM NAME/ NUMBER	BOOK	PAGE	B.L.M. SERIAL NUMBER	LEGAL DESCRIPTION LEGAL	SECTION	TOWN-SHIP	RANGE	MERIDIAN
T.S.# 172	1546	535	A-MC- 141881	NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 173	1546	536	A-MC- 141882	NW1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	2	20S.	22E.	G.&S.R.B.M.
T.S.# 174	1546	537	A-MC- 141883	NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 175	1546	538	A-MC- 141884	NW1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	2	20S.	22E.	G.&S.R.B.M.
T.S.# 176	1546	539	A-MC- 141885	NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 177	1546	540	A-MC- 141886	NW1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	2	20S.	22E.	G.&S.R.B.M.
T.S.# 178	1546	541	A-MC- 141887	NW1/4	1	20S.	22E.	G.&S.R.B.M.
T.S.# 179	1546	542	A-MC- 141888	NW1/4	1	20S.	22E.	G.&S.R.B.M.
				NE1/4	2	20S.	22E.	G.&S.R.B.M.

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ATTACHMENT 2

SUMMARY REPORT OF YEARLY ASSESSMENT ACTIVITIES

October 4, 1988

This detailed report is filed in partial compliance with the requirements of Title 30, United States Code. Section 28-1 for the T.S. claims, a contiguous group of 55 unpatented lode mining claims, situated in the Tombstone Mining District of Cochise County, State of Arizona.

The work consisted of:

1. Geochemical sampling of bedrock;

2. Reduction of geological data to standard scale computerized geologic map coverage of the area;

3. Analysis, organization, filing and computer logging of old production reports, geological, geophysical and geochemical maps from previous mining activities;

4. Annotation to computerized geological base map of geological data acquired during previous underground mining eras with more recent information acquired by other companies and governmental agencies;

5. Continued geologic and alteration mapping from both aerial photography and ground truth reconnaissance;

6. Re-monumentation and marking of claim monuments removed by vandalism; and

7. Spotting of drill hole locations.

This work was performed on each individual claim. and, in part, over the entire claim group to evaluate the discovery of valuable lode mineral deposits located thereon, and to assist in planning further exploration and development work. The work was performed throughout the period from September 1, 1987, to August 31, 1988, by or for JABA Inc, 5701 E. Glenn St., #120, Tucson, Arizona 85712. telephone (602)721-1375, under the direct supervision of James A. Briscoe. a Registered Professional Geologist for 18 years in the State of California (No. 518) and Arizona (No. 9424), with degrees from the University of Arizona (B.S. Geology, M.S. Geology, 1967). Other persons performing work upon said claim group were:

Thomas E. Waldrip, Jr., Geologist/Landman, B.S. Geology, University of Arizona, 4426 E. Patricia St., Tucson, Arizona 85712

Mardee A. Stewart, Business Manager, A.S. Hospital Management, Lasell Junior College, 5701 E. Glenn St., #120, Tucson, Arizona 85712

Charles "Bailey" Escapule, Jr., B.S. Geological Engineering, University of Arizona, P.O. Box 1016, Tombstone, Arizona 85638

Quentin Macdonald, Geologist, B.S. Geology, Montana State University, c/o JABA, Inc., 5701 E. Glenn St., #120, Tucson, Arizona 85712.

Various other JABA inc. professcional staff, field/office technicians and consultants.

Professional and other services provided by:

Tucson Blueprint, P.O. Box 27266, Tucson, Arizona 85726

Charlou Corporation, computer drafting and analysis, P. O. Box 1016, Tombstone, Arizona 85638

The cost of non-scientific assessment activities and/or geological, geochemical and geophysical studies exceeded $5,500.00, and was paid for by the Owners of subject mining claims.

The basic findings to date from past and continuing technical studies performed on this contiguous claim group are:

1. The terrain in the Tombstone area is composed of a Mesozoic to Cenozoic complex of igneous intrusive dikes and stocks intruding into sediments, ranging from fine-grained Paleozoic and Mesozoic marine limestones to a complex of Mesozoic shales, calcareous mudstones and quartzites. The igneous intrusive rocks are of dioritic to granodioritic composition and in many outcrops are hard to identify because of the attendant hydrothermal alteration. Intruded, sedimentary host rocks have undergone varying degrees of contact metamorphism outward from the intrusive bodies. Re-crystallization, silicification and formation of a suite of calc-silicate materials are all exemplified in the district.

2. Mineralization in the area of the claim group can be categorically assigned to four main modes of occurrence:

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A. Gold, silver, lead, zinc and manganese mineralization found as rather distinct vein zones within or associated with northeasterly trending dike rock as exhibited by the Contention - Grand Central Dike areas;

B. "Roll" type deposits associated with regional folding of the sedimentary host rocks. These deposits are replacements of selective or more reactive horizons within the host or zones of greater permeability associated with the structurally prepared anticlinal axis of closely spaced north-northwesterly trending dragfolds;

C. Gold and silver mineralization along fault zones, both within the fault zones and as replacement bodies in reactive wall rocks; and

D. Disseminated precious metal mineralization associated with altered sediments in contact with early Tertiary acidic intrusive rocks.

3. Geochemical assays of the intrusive dikes and host sediments points to anomalous concentrations of gold and silver in these units. Interpretation of these assays suggest the presence of a medium grade gold-silver ore body with a potential for economic recovery of these metals by traditional cyanide heap leaching. To date. test leaching of sample ores, and results obtained from these tests. corroborate the above interpretations.

These results have hastened efforts to delineate, extend, and develop, by scientific principles. known and suspected areas of valuable mineral content, within the boundaries of subject mining claims.

An exploration-development program consisting of drilling, sampling, geological, geochemical, and geophysical studies, is presently under consideration for this property. All technical work and results are in the possession of and are considered to be the exclusive property of JABA Inc., the owner of subject mining claims with offices at 5701 E. Glenn St. Suite 120 Tucson, AZ 85712. Attention: Mr. James A. Briscoe, President.

Respectfully submitted,

James A. Briscoe

James A. Briscoe (Agent)
Registered Professional Geologist
Arizona #9424
California #518

REGISTERED GEOLOGIST
CERTIFICATE NO.
9424
JAMES A.
BRISCOE
DATE SIGNED 9/30/88
Arizona U. S. A.

James A. Briscoe

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FILE

Tombstone M.D., Cochise Co, AZ State of Maine Mine area

Donald O'Neil Heck
Attorney at Law
6818 East Vista Drive
Scottsdale, Arizona 85253
(602) 949-7037

Attorney for Debtor and Debtor-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:	Chapter 11
TOMBSTONE SILVER MINES, INC.	No. 87-00517 PHX GBN
Debtor.	NOTICE OF TIME WITHIN WHICH ACCEPTANCES AND REJECTIONS OF PLAN OF REORGANIZATION MAY BE FILED AND DATE FIXED FOR THE HEARING ON CONFIRMATION

NOTICE IS HEREBY GIVEN THAT, the Court has by an order dated June 19, 1990, a copy of which is attached, set AUGUST 21, 1990, as the last day for filing written acceptances or rejections of the Plan Of Reorganization dated November 17, 1989. All such acceptances and rejections, on the attached Ballot, should be filed with:

Clerk of the Bankruptcy Court
230 North 1st Avenue, 5th Floor
Phoenix, Arizona 85025

With a copy mailed to the Debtor's Attorney:

Donald O'Neil Heck
6818 East Vista Drive
Scottsdale, Arizona 85253

NOTICE IS HEREBY GIVEN THAT, the Court has by an order dated June 19, 1990, set August 28, 1990, at 10:30 a.m. as the time for the hearing on the confirmation of the Plan of Reorganization at the Federal Courthouse, 230 North 1st Avenue, 5th Floor, Phoenix, Arizona.

Dated: July 19, 1990.

Donald O'Neil Heck

Donald O'Neil Heck

Attorney for Debtor

Donald O'Neil Heck
Attorney at Law
6818 East Vista Drive
Scottsdale, Arizona 85253
(602) 949-7037

Attorney for Debtor and Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In re: TOMBSTONE SILVER MINES, INC., Debtor.	Chapter 11 No. 87-00517 PHX GBN ORDER APPROVING AMENDED DISCLOSURE STATEMENT AND FIXING TIME FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN, COMBINED WITH NOTICE THEREOF

ORDER APPROVING AMENDED DISCLOSURE STATEMENT AND FIXING TIME FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN, COMBINED WITH NOTICE THEREOF

A Disclosure Statement under Chapter 11 of the Bankruptcy Code having been filed by the Debtor on November 17, 1989 and modified by an Amended Disclosure Statement under Chapter 11 of the Bankruptcy Code having been filed by the Debtor on May 17, 1990, referring to a Plan under Chapter 11 of the Bankruptcy Code filed by Debtor on November 17, 1989; and

It having been determined after a hearing with notice on the Disclosure Statement and by stipulation between the Debtor and the U. S. Trustee, the only party objecting to the Disclosure Statement, that the Amended Disclosure Statement, dated May 17, 1990, contains adequate information;

IT IS ORDERED, AND NOTICE IS HEREBY GIVEN, THAT:

A. The Amended Disclosure Statement filed by Debtor dated May 17, 1990, is approved.

B. August 21, 1990, is fixed as the last day for filing written acceptances or rejections of the Plan of Reorganization dated November 17, 1989, and referred to above.

C. Within 30 days after the entry of this order, the Plan of Reorganization, the Amended Disclosure Statement and a Ballot conforming to Official Form No. 29 shall be transmitted by mail to creditors, equity security holders and other parties in interest as provided in Rule 3017 (d).

D. If acceptances are filed for more than one plan, preferences among the plans so accepted may be indicated.

E. August 28, 1990, at 10:30 o'clock, a. m. is fixed for the hearing on the confirmation of the Plan of Reorganization.

Dated this 19 day of June, 1990.

George B. Nielsen, Jr.

GEORGE B. NIELSEN

U. S. Bankruptcy Judge

Donald O'Neil Heck
Attorney at Law
6818 East Vista Drive
Scottsdale, Arizona 85253
(602) 949-7037

Attorney for Debtor and Debtor-in-Possession

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:	Chapter 11
TOMBSTONE SILVER MINES, INC.	No. 87-00517 PHX GBN
Debtor	SUPPLEMENT TO PLAN OF REORGANIZATION DATED NOVEMBER 17, 1989

THIS SUPPLEMENT TO PLAN OF REORGANIZATION DATED NOVEMBER 17, 1989, IS SUPPLIED TO CREDITORS AND SHAREHOLDERS OF THE DEBTOR IN ORDER TO PROVIDE CERTAIN ADDITIONAL INFORMATION REGARDING THE PROPOSED PLAN OF REORGANIZATION. THIS SUPPLEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.

Section II of the Proposed Plan describes the proposed merger of the Debtor into Alanco, Ltd. pursuant to which Alanco, Ltd. would pay certain claims against the Debtor and issue 1,850,000 shares of its common stock to the Debtor's other creditors and shareholders. Subsections D, E and G of Section III of the Proposed Plan state that these shares will be issued to Secured Creditors at the rate of one (1) share for each ten cents ($ .10) of claim, to Unsecured Creditors at the rate of one (1) share of each twenty cents ($ .20) of claim and the balance of the shares being issued to the shareholders pro rata according to the number of shares they hold in the Debtor.

On June 22, 1990, the shareholders of Alanco, Ltd. approved a change of its name to Alanco Resources Corporation and a reverse split of its shares whereby each shareholder of it would receive one (1) new share for each four (4) current or old shares. Therefore, the under the proposed Plan Alanco will issue 462,500 new shares to the Debtor's creditors and shareholders instead of the 1,850,000 old shares set forth in the Proposed Plan. Each secured creditor will receive two and one-half (2 1/2) new shares for each dollar ($1.00) of claim, each unsecured creditor shall receive one and one-fourth (1 1/4) new shares for each dollar ($1.00) of claim and approximately 185,000 new shares will be available for distribution to the shareholders of Debtor.

Dated this 19th day of July, 1990.

Donald O'Neil Heck

Attorney for Debtor
6818 East Vista Drive
Scottsdale, Arizona 85253

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Attorney for Debtor/Debtor-in-Possession

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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:	In Proceedings Under Chapter 11
TOMBSTONE SILVER MINES, INC.,	No. 87-00517 PHX GBN
Debtor.	PLAN OF REORGANIZATION

The Debtor, by and through its undersigned counsel, proposes the following Plan of Reorganization.

I. Classification Of Creditors. The creditors and parties in interest shall be divided into the following classes:

Class 1: Administrative Expenses and Costs

Class 2: Taxing Authorities

Class 3: Secured Creditor - Thunderbird Bank

Class 4: Other Secured Creditors

Class 5: Unsecured Creditors

Class 6: Mineral Claims Lessor - Seth Horne

Class 7: Shareholders

II. Description Of Plan Of Reorganization. The Plan Of Reorganization consists of the surrender of certain assets to the creditors in Class 3 (Secured Creditor - Thunderbird Bank) and Class 6 (Mineral Claims Lessor - Seth Horne) followed by the merger of the Debtor into Alanco Ltd., an Arizona corporation whose common stock is currently listed by NASDAQ on the over the counter market. The negotiations with Alanco Ltd. over the terms of the merger are ongoing and are not yet finalized. The current proposal from Alanco Ltd. provides for the payment by it of the Class 1 (Administrative Expenses and Costs) and Class 2 (Taxing Authorities) claims in full in cash and for Alanco Ltd. to issue 1,850,000 shares of its common stock for distribution to the members of Class 4 (Other Secured Creditors), Class 5 (Unsecured Creditors) and Class 7 (Shareholders).

III. Provisions For The Treatment Of Claims Of Creditors. The claims of the various classes of creditors and parties in interest shall be treated as follows:

A. Class 1 (Administrative Expenses and Costs). The claims, consisting of fees due to the U.S. Trustee, legal fees and costs, fees and costs of the Debtor-in-Possession, and other administrative costs, shall be paid in full with the Debtor's funds and by Alanco Ltd. The total amount of these claims are estimated to fall within the range of $10,000.00 to $15,000.00.

B. Class 2 (Taxing Authorities). These claims shall be paid in full to the extent they are allowed by the Court by Alanco Ltd. The claims are currently estimated to be:

Internal Revenue Service	$26,665.00
State of Arizona	
Department of Economic Security	1,853.00
Department of Revenue	1,087.00
Motor Vehicle Department	81.00
Cochise County	6,983.00

C. Class 3 (Secured Creditor - Thunderbird Bank). This creditor has been satisfied in full pursuant to a Court approved Joint Motion and Stipulation to Lift Stay. Thunderbird Bank, pursuant to the motion and stipulation, has recovered the property securing its loan to the Debtor, an ore crusher. The ore crusher was sold to an unrelated third party on an installment sale with Thunderbird Bank agreeing to remit 10% of the amount received up to a maximum of $4,470.00 to the Debtor. The third party has defaulted on its installment obligation, Thunderbird Bank has repossessed the ore crusher and it is now attempting to resell the crusher. Any funds received by the Debtor from this transaction will be used to pay Class 1 (Administrative Expenses and Costs) claims.

D. Class 4 (Other Secured Creditors). Under the current proposal of Alanco Ltd., these creditors shall receive one share of the common stock of Alanco Ltd. for each $0.10 of their claim in full satisfaction of their claim. These creditors and the amount of their claims are:

W. W. Grace	$ 7,000.00
David A. Thomas	15,000.00
Hal Rouse	8,000.00
Phillip Rouse	8,000.00
Charles Saunders	40,000.00

The security interest of these creditors in certain tools and equipment of the Debtor shall be voided.

E. Class 5 (Unsecured Creditors). Under the current proposal of Alanco Ltd., these creditors shall receive one share of the common stock of Alanco Ltd. for each $0.20 of their claim in full satisfaction of their claim. It is anticipated that these creditors shall include all creditors listed as unsecured creditors in the Bankruptcy Schedules filed by the Debtor with the Court. The estimated total amount of these claims is $71,564.00.

F. Class 6 (Mineral Claims Lessor - Seth Horne). This creditor/ party in interest leased eight Federal mining claims known as Horne Group 110 through 117 to the Debtor which is in default on the lease. The Debtor shall surrender all of its interest in these claims in full satisfaction of its lease obligations.

G. Class 7 (Shareholders). Under the current proposal of Alanco

Ltd., the balance of the 1,850,000 shares of common stock of Alanco Ltd. to be issued in the merger shall be distributed prorata among the shareholders cf the Debtor in accordance with the ratio of their shareholdings in the Debtor. It is currently estimated that under the current proposal 712,180 shares of the common stock of Alanco Ltd. will be available for distribution to the members of this class.

IV. Other Creditors And Bar Date. The Plan recognizes that there may be creditors who have not filed a Proof of Claim. The Plan provides for all creditors listed on the Bankruptcy Schedules filed with the Court, but it makes no provision for any other creditors or for sums claimed beyond the amounts listed in the Bankruptcy Schedules or in the Plan. The Plan requests the Court set a Bar Date for the filing of any additional claims for amounts in excess of the amounts listed on the Bankruptcy Schedules or claims by any additional creditors.

V. Execution And Implementation Of The Plan. The Plan is based upon the contemplated merger of the Debtor into Alanco Ltd. Negotiations to finalize the terms of that merger are ongoing. The execution of the Plan is contingent upon the finalization of those terms and the approval of the Plan by the Court. Alanco, Ltd., upon approval of the Plan by the Court shall pay the claims of Class 1 (Administrative Expenses and Costs) and Class 2 (Taxing Authorities) within a reasonable time but not more than fortyfive days after the Plan's approval. Alanco, Ltd., upon approval of the Plan by the Court shall issued the required number of shares of its common stock to the members of Class 4 (Other Secured Creditors), Class 5 (Unsecured Creditors) and Class 7 (Shareholders) within a reasonable time but not more than fortyfive days after the Plan's approval.

VI. Contested Claims. Contested claims by the Debtor shall be paid only upon their allowance by the Court. They shall be paid in the amount allowed by the Court and payment shall be in the form and amount for the members of the Class to which they belong.

VII. Modification Of The Plan. The Debtor may propose amendments or modifications of this Plan at any time prior to its confirmation by meeting the requirements of Section 1127 of the Bankruptcy Code. After confirmation the Debtor may, with the approval of the Court, with notice and a hearing if the Court so orders, and so long as it does not materially or adversely effect the interests of the creditors, remedy any defect or omission or reconcile any inconsistencies of the Plan or in the Court's Order of Confirmation as may be necessary to carry out the purposes and effect of the Plan.

VIII. Further Contingencies. The proposed merger of the Debtor into Alanco Ltd. is contingent upon the common stock of Alanco Ltd. remaining listed by NASDAQ and upon the absence of any event or occurrence which in the opinion of the Debtor in Possession causes or results in a deterioration of the financial condition of Alanco Ltd.

IX. Jurisdiction Of The Court. The Court shall retain jurisdiction, until the Plan has been fully consumamated, concerning, but not limited to, the following:

A. The classification of the claim of any creditor and the re-examination of the claims which have been allowed for purposes of voting and the determination of such objections as may be filed to creditors' claims. The failure by the Debtor to object to or examine any claim for purposes of voting shall not be deemed to be a waiver of the Debtor's right to object to or re-examine the claim in whole or in part.

B. The determination of all questions and disputes regarding title to assets of the estate and determination of all causes of action, controversies, disputes or conflicts whether or not subject to any action pending as of the date of confirmation between the Debtor and any other party including but not limited to any right of the Debtor to recover assets pursuant to the provisions of Title 11 of the United States Code.

C. The modification of this Plan after confirmation pursuant to the Bankruptcy Rules and Title 11 of the United States Code.

D. The enforcement and interpretation of the terms and conditions of this Plan.

E. The entry of any order, including injunctions, necessary to enforce the title, rights and powers of the Debtor and to impose such limitations, restrictions, terms and conditions of such title, rights and powers.

X. Post Confirmation Activities. After confirmation of the Plan, the Debtor will implement the Plan by commencing and completing the merger of the Debtor into Alanco Ltd. provided that no event occurs or fails to occur which, in the opinion of the Debtor-in-Possession, substantially impairs the financial condition and viability of Alanco Ltd.

Respectfully submitted this 17th day of November, 1989.

Donald O'Neil Heck

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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:	)	Chapter 11
TOMBSTONE SILVER MINES, INC.	)	No. 87-00517 PHX GBN
Debtor.	)	SUPPLEMENT TO AMENDED DISCLOSURE STATEMENT

THIS SUPPLEMENT TO THE DISCLOSURE STATEMENT IS PROVIDED BY THE DEBTOR AND DEBTOR-IN-POSSESSION TO PROVIDE INFORMATION TO CREDITORS AND SHAREHOLDERS OF THE DEBTOR REGARDING CERTAIN EVENTS THAT HAVE OCCURRED SINCE THE AMENDED DISCLOSURE STATEMENT WAS APPROVED BY THE COURT. THIS SUPPLEMENT HAS NOT BEEN APPROVED BY THE COURT.

Section IV of the Amended Disclosure Statement, Assets And Liquidation Analysis, states that the Debtor-in-Possession estimates that a liquidation of the tools and equipment of the Debtor will generate no more than $50,000.00. A list of the major items of tools and equipment is set forth on Schedule D to the Amended Disclosure Statement. Since the preparation of the Amended Disclosure Statement, four items have been sold pursuant to authority granted to the Debtor-in-Possession by the Court. They are the International Front End Loader, the Cat Motor Grader, the 1979 Ford Pick Up and one large truck. The total proceeds from the sale were $12,200.00.

The Debtor-in-Possession now estimates that the balance of the equipment would generate no more than $40,000.00 if liquidated.

Section VIII of the Amended Disclosure Statement, Business Expectations Of Debtor, describes, among other things, the business of Alanco, Ltd., the proposed merger partner with the Debtor. Since the preparation of the Amended Disclosure Statement, certain events have transpired with regard to Alanco, Ltd. These include the following:

1. On June 22, 1990, at the annual meeting of shareholders of Alanco, Ltd., its shareholders approved the following:

a. The change of its name from Alanco, Ltd. to Alanco Resources Corporation.

b. A reverse split of its shares whereby one (1) new share of Alanco Resources Corporation will be issued for each four (4) shares of currently outstanding shares of common stock.

2. On June 23, 1990, Alanco, Ltd. (now Alanco Resources Corporation) agreed with Pacific Assets that it would replace Pacific Equities as Alanco's investment banker for the purpose of raising an additional $1,600,000.00 of working capital for Alanco. The proposed merger of the Debtor is contingent upon this the infusion of additional working capital into Alanco by Pacific Equities. The Debtor-in-Possession does not intend to proceed with the proposed merger if Pacific Equities replacement, Pacific Assets, fails to provide additional working capital to Alanco.

Section XII of the Amended Disclosure Statement, Potential

Conflicts Of Interest Of Counsel And Debtor-in-Possession, describes certain potential conflicts of interest of the the counsel and Debtor-in-Possession. In addition to the described conflicts, the creditors and shareholders of the Debtor are advised that the Debtor-in-Possession is also a Secured Creditor and a Shareholder of the Debtor.

Section XIV of the Amended Disclosure Statement, Summary Of The Plan Of Reorganization, describes the Proposed Plan and indicates that Alanco will issue 1,850,000 shares of its common stock to the Debtor's creditors and shareholders. These are pre-reverse split shares. Following the reverse split, Alanco will now issue 462,500 new shares. This will result in a change in the number of shares to be received by creditors and shareholders of the Debtor. The Secured Creditors will now receive two and one-half (2 1/2) new shares for each $1.00 of their claim, the Unsecured Creditors will now receive one and one-fourth (1 1/4) new shares for each $1.00 of their claim and approximately 185,500 new shares will be distributed pro rata to the Debtor's shareholders.

Alanco's new shares is currently listed under the symbol ALAND. The quoted NASDAQ price on July 18, 1990 was $ .50 bid and $ .59 asked for the new shares. <u>THE DEBTOR AND THE DEBTOR-IN-POSSESSION MAKE NO REPRESENTATION THAT THE SHARES SHALL REMAIN AT THIS CURRENT PRICE OR THAT THIS PRICE WILL NOT DECLINE. EACH CREDITOR AND SHAREHOLDER SHOULD CONTACT THEIR OWN STOCK BROKER AND INVESTMENT ADVISOR FOR INFORMATION REGARDING THE TRADING AND PRICE OF ALANCO SHARES.</u>

Dated this 19th day of July, 1990.

Donald O'Neil Heck

Donald O'Neil Heck

Attorney for Debtor
6818 East Vista Drive
Scottsdale, Arizona 85253

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Attorney for Debtor/Debtor in Possession

ORIGINAL FILED ON THIS DATE
MAY 17 1990
CLERK

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:	Chapter 11
TOMBSTONE SILVER MINES, INC.	NO. 87-00517 PHX GBN
Debtor.	AMENDED DISCLOSURE STATEMENT

THE DEBTOR PROVIDES THIS AMENDED DISCLOSURE STATEMENT TO CREDITORS AND SHAREHOLDERS OF THE DEBTOR AND OTHER PARTIES IN INTEREST. THE PURPOSE OF THIS DISCLOSURE STATEMENT IS TO GIVE INFORMATION WHICH THE DEBTOR BELIEVES TO BE MATERIAL, IMPORTANT AND ADEQUATE FOR THE MAKING OF AN INFORMED DECISION WHEN VOTING ON THE PLAN OF REORGANIZATION PROPOSED BY THE DEBTOR AND ON FILE WITH THIS COURT.

A CLASS OF CREDITORS WILL HAVE ACCEPTED THE PLAN, IF AMONG THOSE CREDITORS IN THE CLASS WITH ALLOWED CLAIMS, WHO VOTE ON THE PLAN, AT LEAST TWO-THIRDS IN AMOUNT AND AT LEAST ONE-HALF IN NUMBER VOTE TO ACCEPT THE PLAN.

NO REPRESENTATION CONCERNING THE DEBTOR IS AUTHORIZED BY IT OTHER THAN THOSE SET FORTH IN THIS STATEMENT. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE ACCEPTANCE OF THE PLAN WHICH DIFFERS FROM THOSE CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION TO ACCEPT OR REJECT THE PLAN, AND ANY SUCH REPRESENTATION AND/OR INDUCEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO, IN TURN SHALL

DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS IT MAY DEEM TO BE APPROPRIATE.

THE PLAN OF REORGANIZATION PROPOSES THE MERGER OF THE DEBTOR INTO AN UNRELATED CORPORATION. PURSUANT TO THE MERGER, CERTAIN CLASSES OF CREDITORS AND THE SHAREHOLDERS OF THE DEBTOR SHALL RECEIVE SHARES OF THE COMMON STOCK OF THE SURVIVING CORPORATION. THE MARKET VALUE OF THESE SHARES MAY AND MOST LIKELY WILL VARY. DEPENDING UPON THE MARKET VALUE OF THESE SHARES, IT IS POSSIBLE THAT A PARTICULAR CLASS OF CREDITORS HAVING A HIGHER PRIORITY WILL NOT BE PAID IN FULL AND YET ANOTHER CLASS HAVING A LOWER PRIORITY WILL RECEIVE SHARES. IN SUCH CIRCUMSTANCES, THE PLAN MUST BE ACCEPTED BY EACH SUCH HIGHER PRIORITY CLASS THAT IS NOT PAID IN FULL.

I. HISTORY OF THE DEBTOR

The Debtor was incorporated in Arizona in March,1984. It was established for the purpose of acquiring mineral claims, leases and rights in the vicinity of Tombstone, Arizona and operating a silver mine on those claims, leases and rights.

The Debtor issued shares of its common stock to various individuals and corporations for cash, property and services. A list of the currently known shareholders is attached as Schedule A. The Debtor currently has 2,521,764 outstanding shares of its common stock.

The Debtor commenced mining operations in the fall of 1984 and continued operations through May, 1986. It ceased operations due to a decline in the price of silver which made it uneconomical to continue operations. During this period, the Debtor purchased various items of equipment, including an ore crusher.

The crusher was purchased with the proceeds of a loan from Thunderbird Bank. The loan was secured by a lien on the crusher.

Additional working capital was secured during this period by the advance of $78,000.00 by certain officers, directors and shareholders. This advance was secured by a lien on the equipment of the Debtor. A list of the individuals who advanced these funds to the Debtor is attached as Schedule B.

During 1986, the Debtor incurred, but failed to pay withholding and employment taxes to the Internal Revenue Service, the Arizona Department of Revenue and the Arizona Department of Economic Security. It also failed to pay real property taxes to Cochise County, Arizona.

In the fall of 1986, the Debtor entered into an agreement with Arizona Engineered Aggregates, an Arizona corporation, to sell riprap (waste rock from the Debtor's mining operation which is suitable for various construction uses) to it. Arizona Engineered Aggregates failed to pay the Debtor for any of the riprap it purchased.

In late 1986 and early 1987, the Internal Revenue Service threatened to take immediate action to collect the Debtor's unpaid withholding and employment taxes.

The failure of the Debtor to operate at a profit due to the low market price of silver, the accumulation of various unpaid liabilities due to an inadequate cash flow and inadequate working capital, the failure of Arizona Engineered Aggregates to pay the Debtor in full for its purchases of riprap, and the threat of immediate collection action by the Internal Revenue Service lead to the Debtor seeking the protection of the Bankruptcy Code.

II. BANKRUPTCY HISTORY

The Debtor filed for protection under Chapter 11 of the Bankruptcy Code on January 27, 1987.

Interim Monthly Financial Reports have or will shortly be filed for all subsequent months.

Donald O'Neil Heck and George Hill have served as counsel for the Debtor at various times during this proceeding.

The Debtor and Thunderbird Bank reached an agreement for the transfer by the Debtor of the ore crusher to Thunderbird Bank in full satisfaction of its claim. Under the agreement, Thunderbird Bank was to resell the crusher and pay a small portion of the proceeds, approximately ten percent (10%) to the Debtor. This agreement was presented to the Bankruptcy Court in the form a Joint Motion And Stipulation. After notice, it was duly approved by the Bankruptcy Court.

Thunderbird Bank subsequently entered into an installment sale of the crusher. The purchaser defaulted. The crusher was repossessed by Thunderbird Bank and resold at a discounted price. The Debtor has realized approximately $3,470.00 from this transaction.

The Debtor, due to a lack of cash flow, is in arrears on its lease payments to Seth Horne under its lease of the Horne Group Mineral Leases #110 through #117. The Debtor has agreed with Seth Horne to surrender any interest it has in these claims to Seth Horn in full satisfaction of his claim against the

Debtor under the lease. This agreement will be accomplished under the proposed Plan of Reorganization.

The Debtor entered into an agreement with the secured creditors other than Thunderbird Bank to substitute a lien on some of the Debtor's real property interests for their lien and security interest in the Debtor's equipment. This agreement was incorporated into a Joint Motion And Stipulation, which after notice, was approved by the Bankruptcy Court. The substitution of security interests is currently being accomplished. The purpose of this transaction was to free up title to the most readily salable assets of the Debtor so that it might sell some or all of those assets to generate funds to meet necessary administrative expenses.

Throughout 1988, the Debtor conducted extensive negotiations with C.O.P.S. Inc. (COPS) to sell the Debtors assets to a corporation to be formed by COPS. The final proposal of COPS was that it would form a new corporation whose stock would be listed on a Canadian stock exchange, this new corporation would form a subsidiary corporation which would acquire the Debtor's assets in return for some cash and a minority stock position in the subsidiary. The Debtor terminated negotiations with COPS when it became clear that the shares to be received by the Debtor, which would have in turn been distributed to the Debtor's creditors and shareholders, would have been restricted shares and would not have been publicly traded.

In February, 1989, the Debtor commenced negotiations with

Alanco, Ltd. (Alanco) for the sale of its assets to that firm. Those negotiations have lead to the currently proposed Plan Of Reorganization.

In addition to its other claims, the Internal Revenue has filed a claim in the amount of $129,882.29 plus penalty and interest for unpaid Federal Unemployment Taxes for 1986. The Debtor disputes this claim and will file the appropriate objection to it in the current proceeding.

Throughout the pending bankruptcy proceeding, the Debtor has not conducted any active mining operations. Its only revenue has come from the Thunderbird Bank transaction described previously, the sale of a few miscellaneous assets and the lease of certain assets.

The Committee of Creditors has not met and no counsel has been appointed for it.

III. INCIDENTS PRECIPITATING CHAPTER 11

The filing of the Petition was directly precipitated by the threat of the Internal Revenue Service to commence collection action to collect unpaid withholding and employment taxes.

IV. ASSETS AND LIQUIDATION ANALYSIS

The Debtor's assets fall into four categories. They are (1) mining claims, leases and rights, (2) tools and equipment, (3) existing inventory of riprap and (4) claim against Arizona Engineered Aggregates.

The primary mining claims of the Debtor after the surrender of the Horne claims in satisfaction of the claim of Seth Horne are the State Of Maine Claims, the Silver Ventures Claims and the Henderson-Las Vegas Claims. The attached Schedule D sets forth the legal description of the primary claims. All of the claims are located near Tombstone, Arizona. Schedule B-1 of the Petition lists the value of these claims as $293,320.00, $577,700.00 and $25,000.00 respectively. These listed values were taken from the Debtor's pre-petition financial records. They appear to be the value, as determined by the Debtor's management, of the mineral reserves on those claims. These values were arrived at during the course of negotiations to acquire these properties. The Debtor has not had a mineral survey conducted by an independent engineer since the filing of the Petition to confirm these values due to the high cost of such a survey and Debtor's lack of cash.

In order to realize these values, the Debtor or a third party would have to mine and recover the mineral reserves. This would require the raising of the necessary working capital and the final amount recovered would depend, among other factors, upon the cost of conducting the necessary mining operations and the market price realized when the recovered minerals were sold.

Additionally, these claims are relatively small and therefor not particularly attractive to a large mining company.

The Debtor has solicited offers to purchase these claims for over two years. It has on occasion advertised these claims for sale in various mining newspapers. The Debtor has received a number of inquiries, but to date has received only two offers to acquire these claims, the COPS proposal and the Alanco proposal. Therefore, the Debtor believes that if it were forced to liquidate these properties, they would generate only their minimal liquidation value. The opinion of the Debtor-in-

Possession is that their forced sale would generate approximately $50,000.00.

The remaining tools and equipment of the Debtor are listed on the attached Schedule D and are valued at approximately $194,000.00 on Schedule B-2 to the Petition. This value was taken from the pre-Petition financial records of the Debtor and represents the acquisition cost of these assets. It apparently does not include an adjustment for accumulated depreciation. Given that these items were acquired in 1984 through 1986, the application of normal depreciation adjustments would suggest that these assets have only minimal remaining book value.

The tools and equipment have not been used since 1986 and have received only minimal care and maintenance. The Debtor, due to the cost and its shortage of working funds, has not obtained an independent appraisal of these items, but it is the opinion of the Debtor-in-Possession that if liquidated, they would generate no more than $50,000.00. The Debtor-in-Possession has made efforts to sell these assets individually, but has not yet received any offers.

The Debtor owns certain rock riprap, a by-product of its mining operations. The Debtor-in-Possession estimates the amount to be approximately 20,000 cubic yards with a value of $1.00 per cubic yard, if and when it could be sold.

The Debtor has investigated the possibility of proceeding with legal action to attempt to collect the approximately $7,250.00 due to it from Arizona Engineered Aggregates. The Debtor has concluded that the combination of the costs of proceeding with an action to collect that sum and a low likelihood of actually collecting any sums due to the fact that Arizona Engineered Aggregates is defunct makes this claim worthless.

The liquidation and sale of these assets would at best be a difficult task. At the current price level of silver, there is considerable doubt as to whether or not the current open pit mine could be operated at a profit. The mine has not be operated in approximately four years. Therefore, the Debtor has no value as a going concern. The result is that any sale of the Debtor's assets would generate only the minimal forced liquidation values set forth above.

V. VALUATION OF SCHEDULED CLAIMS

The Debtor has incurred administrative expenses for legal fees and costs, fees and costs of the Debtor-in-Possession and quarterly fees due to the U.S. Trustee. The total amount of these administrative expenses is estimated to be between $15,000.00 and $20,000.00 by the completion of the Plan Of Reorganization.

The claims of the various tax authorities set forth on Schedule E are priority claims. The listed claims, plus accrued interest, are to be treated as valid claims. The additional claim of the Internal Revenue Service for Federal Unemployment Taxes for 1986, a claim for $129,882.29 plus penalty and interest, is considered to be invalid and will be opposed by the Debtor.

The secured claim of Thunderbird Bank has been satisfied in full pursuant to the Joint Motion And Stipulation between it and the Debtor.

The unsecured claim of Seth Horne, one of the unsecured claims listed on Schedule F, will be satisfied in full by the surrender of the Debtor's leasehold interest in those claims to Seth Horne. It should be noted that the Debtor was in default under the lease prior to its filing of the Petition and therefore the Debtor could be forced to surrender its leasehold interest if the matter were litigated.

The remaining unsecured claims set forth on Schedule F are considered to be valid claims for the purposes of the Plan of Reorganization. They total $71,064.00.

VI. PREPARATION OF ACCOUNTING INFORMATION

The Debtor has utilized the services of a book-keeping firm during this proceeding to prepare its 1987 Federal and Arizona Income Tax Returns. The interim financial reports and subsequent income tax returns have or will be prepared by the Debtor-in-Possession and counsel.

VII. LITIGATION

There is no currently pending litigation involving the Debtor. If the Debtor is unable to resolve the claim of the Internal Revenue Service for Federal Unemployment Taxes for 1986 through negotiation, litigation over that claim may occur in the Bankruptcy Court.

VIII. BUSINESS EXPECTATIONS OF DEBTOR

The proposed Plan Of Reorganization would result in the merger of the Debtor into Alanco, an existing Arizona corporation. A copy of the Merger Agreement is attached as Schedule G. Certain of the Debtor's creditors and all of its shareholders would have their claims paid with shares of the common stock of Alanco. The value of these shares will be determined by the current and future financial status and business operations of Alanco.

Alanco was incorporated in Arizona in 1969. Its traditional business has been to acquire and develop mineral, oil and gas properties. In 1980, it filed a Form 10 Registration Statement with the Securities And Exchange Commission (SEC). It has been a reporting company, as that term is used in the securities laws, since that time. Its common stock is currently listed and traded on the NASDAQ System.

Alanco's fiscal year ends on May 31st. It is required by the SEC to file an annual 10-K Report and quarterly 10-Q reports. Its 10-K Report for the year ending May 31, 1989, is attached as Schedule H. It includes, among other items, consolidated financial statements (balance sheet and income statement) for its fiscal 1989 year and certain statements for its fiscal 1987 and 1988 years. It also includes the opinion of its Independent Certified Public Accounts for its fiscal 1989 and fiscal 1988 financial statements.

Also attached, as Schedule I, is an Form 8-K Report filed by Alanco on May 1, 1990, which amends its Form 10-K for fiscal 1989 and reports a significant financial transaction.

IT IS STRONGLY RECOMMENDED THAT CREDITORS AND SHAREHOLDERS READ AND THOROUGHLY REVIEW THE ATTACHED FORM 10-K AND FORM 8-K OF ALANCO PRIOR TO VOTING ON THE PROPOSED PLAN OF REORGANIZATION. IN THE EVENT ANY INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT CONFLICTS WITH THE INFORMATION CONTAINED IN THOSE REPORTS OR OTHER REPORTS OR STATEMENTS OF ALANCO WHICH ARE

ATTACHED TO THIS DISCLOSURE STATEMENT, THE REPORTS AND/OR STATEMENTS SHALL AND SHOULD BE CONSIDERED TO BE CONTROLLING. IT IS ALSO STRONGLY RECOMMENDED THAT CREDITORS AND SHAREHOLDERS CONSULT WITH THEIR OWN LEGAL COUNSEL, ACCOUNTANT AND FINANCIAL ADVISOR PRIOR TO VOTING ON THE PLAN. CREDITORS AND SHAREHOLDERS ARE ENCOURAGED TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS OF ALANCO, SCHEDULED TO BE HELD ON JUNE 22, 1990, AT 2:00 P.M., PACIFIC DAYLIGHT TIME, AT THE THUNDERBIRD INN HOTEL AT THE SCOTTSDALE AIR PARK, SCOTTSDALE, ARIZONA AND TO CONTACT ALANCO'S MANAGEMENT AT (602) 991-8540 WITH ANY INQUIRIES REGARDING ALANCO.

Part I of the Form 10-K, attached as Schedule H, describes Alanco and its business, including the business of its controlled subsidiary Environetics, Inc. (Environetics). Note 1 - Activity to Alanco's Consolidated Financial Statements Years Ended May 31, 1989, 1988 And 1987, found at page 40 of the Form 10-K states:

> "Alanco Ltd.'s (Alanco) principal activities for the past several years has been on diversification. Historically, Alanco was involved in the acquisition of mineral and oil and gas properties in the Southwestern United States, which included the operation of two precious metals milling facilities and a refining plant, located near Tombstone, Arizona and operated through a joint venture."

The Debtor understands that Alanco ceased active business operations in 1984. Since that time it has incurred substantial losses and has investigated entering into several other lines of business besides its traditional mining activities. Its existence has been, at best, precarious. Its primary effort at diversification has been the acquisition of certain pollution control technology and a partially owned subsidiary, Environetics, to develop and market that technology.

The Debtor has been advised by Alanco's management of certain events and transactions, which in the opinion of the Debtor-in-Possession, improve the financial and business outlook for Alanco. These events and transactions include the following: (1) The funding of limited partnership, the majority interest of which is owned by Environetics, to build a test facility at an asphalt plant in Prescott Valley, Arizona, to test Environetics' pollution control system for hot gas exhausts, (2) The conversion of $2,800,743.00 of long and short term debt held by corporate insiders to 24,006,410 shares of Alanco's common stock and (3) the entry into an Agreement with Pacific Equities Corporation to provide an additional $1,600.000.00 of working capital to Alanco by mid 1990. Each of these events will be discussed subsequently in further detail.

A review of the Proforma Consolidated Balance Sheet for Alanco and its subsidiaries, found on page 3 of Exhibit A of the Form 8-K attached as Schedule I, discloses that Alanco is not in a strong financial situation. The proforma balance sheet indicates current assets of $56,000.00, property, plant and equipment of $1,110,000.00 and other assets of $9,121,000.00 for total assets of $10,287,000.00 (all sums are rounded to the nearest $1,000.00). The Proforma Consolidated Balance Sheet indicates current liabilities of $943,000.00, no long term liabilities and a contingency balance of ($18,000.00) (all sums are rounded to the nearest $1,000.00). The capital portion of the Proforma Consolidated Balance Sheet indicates preferred stock of $750,000.00, common stock of $21,004,000.00, common stock subscriptions receivable of ($210,000.00) and an accumulated deficit of ($12,182,375.00) for total capital of $8,612,121.00 (all sums are rounded to the nearest $1,000.00).

The Consolidated Statements Of Operations Years Ended May 31, 1989, 1988 And 1987, found on page 36 of the Form 10-K which is attached as Exhibit H, indicates that Alanco has had net losses of $719,000.00, $1,846,000.00 and $521,000.00 for its past three fiscal years, 1989, 1988 and 1987 respectively. The Proforma Consolidated Statement Of Operations found on page 4 of Exhibit A to the Form 8-K, attached as Schedule I, indicates a net loss of $372,916.00 for the first ten (10) months of fiscal 1990.

The foregoing amounts indicate that while Alanco's assets substantially exceed its liabilities, the bulk of those assets are fixed and it has minimal current assets. Those current assets are only a small portion, about five percent (5%) of its current liabilities. Therefore, Alanco's continued existence is dependent upon its continued ability to raise working capital to fund its current operations and meet its current financial needs.

This fact has been recognized by both of Alanco's last two independent certified auditors. Laventhol & Horwrath, in its opinion regarding the fiscal 1989 financial statements, found at pages 31 and 32 of the Form 10-K, attached as Schedule H, states "The company's continued existence is dependent upon its ability to generate cash flow from operations or to obtain debt or equity financing". Dennis, Schmich & Co., Ltd., in its opinion regarding the fiscal 1987 and 1988 financial statements, found at pages 33 and 34 of the Form 10-K, attached as Schedule G, states "The Company's continued existence is dependent upon its ability to supplement cash flow from operations by debt or equity financing".

In early 1989, Alanco has entered into a transaction with Sutton Place, Inc., a California corporation. This transaction is described in Note 18 to Alanco's Consolidated Financial Statements Years Ended May 31, 1989, 1988 And 1987, found at page 53 of the Form 10-K, attached as Schedule H. As part of this transaction, Sutton Place, Inc. purchased 12,000,000 shares of Alanco's common stock for consideration that included a $350,000.00 subscription note. Sutton Place, Inc. subsequently defaulted on this note, but in December, 1989, it assigned the 12,000,000 shares to Imperial Real Estate Corporation in return for its assumption of the subscription note. The note is payable in ten monthly installments of $35,000.00 each beginning with the month of December, 1989. Alanco's management has advised the Debtor that Imperial Real Estate is current in its payments on the note. (See also Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations on page 10 of Exhibit A to the Form 8-K, attached as Exhibit H, for a further discussion of this transaction.

In early 1990, a number of Alanco insiders converted $2,800,743.00 of short and long term debt to 24,006,410 shares of its common stock. This transaction is reported in the Form 8-K, which is attached as Exhibit I. It is also reflected in the Proforma Financial Statements and the figures from that statement which are set out above.

Alanco, on May 1, 1990, announced that it had entered into an agreement with Pacific Equities Corporation of San Francisco, California for the infusion of $1,600,000.00 of working capital into Alanco (See Alanco Press Release dated May 1, 1990, attached as Exhibit J). This working capital infusion is also discussed in Item 2 to the Proforma Consolidated Financial Statements. In that Item 2, Alanco's Management states that "the company is now moving forward with its California based investment banking firm in arranging a $1,500,000.00 capital injection,". Alanco's management has advised the Debtor-in-Possession that this capital injection will be used largely to reopen and restart mining operations at Alanco's C.O.D. Mine near Kingman, Arizona.

In early 1989, Alanco entered into a lease of its refining mill near Tombstone, Arizona. The mill is owned jointly with another firm, Arizona Refining & Metallurgical Company. The lease contained an option for the tenant, Computerized Trading Services International, Inc. (CTSI) of Seattle, Washington, to purchase the mill for in excess of $1,100.000.00. CTSI exercised its option to purchase the mill, but thus far has failed to perform. Alanco's management has advised the Debtor that if CTSI fails to perform, it will seek to sell the mill to another purchaser. Alanco's management anticipates that if the sale of its Tombstone mill is accomplished, it will generate over $800,000.00 of additional working capital for the firm.

In January, 1990, a limited partnership in which Environetics, a majority owned subsidiary of Alanco, serves as general partner, entered into an agreement for the fabrication of a full scale installation of its hot gas exhaust pollution control system and the installation of that system on a hot mix asphalt plant near Prescott Valley, Arizona. The installation is to be completed in May or June, 1990. It will be used to generate test results which, in the opinion of Alanco's and Environetics' management, will prove successful and may allow Environetics to obtain the designation of "best available technology" from the Environmental Protection Agency for this technology. If the test is successful, it could conceivably lead to the production and sale of two units per month, at a significant profit for Environetics (See Note 19 to Consolidated Financial Statements on page 54 of the Form 10-K, attached as Schedule H and Item 2 to Proforma Financial Statements on page 10 of Exhibit A to Form 8-K, attached as Schedule I).

Future expansion and diversification plans of Alanco include the acquisition of an insurance company according to Alanco's management.

Additionally, as stated previously, Alanco is seeking to reopen its C.O.D. Mine near Kingman, Arizona and would consider developing its other mineral properties if sufficient working capital can be obtained.

Alanco's primary assets consist of various mineral holdings located primarily in Arizona, its interest in the Tombstone refining mill, various items of milling equipment and its stock holdings in Environetics and other smaller subsidiaries. These holdings are described in Item 2 (a) of the Form 10-K, attached as Schedule H.

The mining properties included the previously discussed C.O.D. Mine near Kingman, Arizona; the Mineral Mountain property in the vicinity of Florence, Arizona; the Whetstone Mountain property southeast of Tucson, Arizona; and various mining properties near Tombstone, Arizona.

Alanco's management has advised the Debtor that Alanco does not anticipate resuming mining operations at the Debtor's mine nor does it anticipate resuming or starting new mining operations on its currently existing Tombstone, Arizona properties. Alanco's management has advised the Debtor that it believes the greatest value in its and the Debtor's properties in the Tombstone are is the existence of an underlying copper porphyry through out the Tombstone Mining District. The depth of this deposit, approximately 2,500 feet below ground makes it feasible to mine this deposit only by a large underground mine. This would most likely require the deposit to be developed by a large mining company. Such a company would be interested in developing such a mine only if the large number of small properties in the Tombstone Mining District are consolidated under single ownership or control. Alanco has advised the Debtor that it views the acquisition of the Debtor's properties as a step in the overall consolidation process. Alanco's intention is to hold its Tombstone area properties until such time as they can be leased or sold to a large mining company. A map of the Tombstone Mining District showing the relationship of the Alanco and Tombstone claims is attached as Schedule K.

The Proforma Consolidated Statement Of Shareholders Equity found at page 5 of Exhibit A, Form 8-K, attached as Exhibit I, indicates that as of March 31, 1990, Alanco had 73,654,959 outstanding shares of common stock and the shareholder's equity was $6,612,121.00 or 11.69 cents per share. Alanco's common stock has traded from a low of 3 cents per share to a high of 28 cents per share over the past three years (see Part II, Item 5 (a) (1) on page 24 of the Form 10-K, attached as Exhibit H). The Debtor-in-Possession has monitored the price of Alanco's stock for some time and advises that the quoted price at the time of preparation of this Statement was approximately 12.5 cents per share. Creditors and shareholders of Tombstone are advised to check the current price of Alanco shares at the time of voting on the Plan Of Reorganization.

Alanco's management has advised the Debtor that Alanco will shortly be changing its name from Alanco, Ltd. to Alanco Resources Corporation. Further, that Alanco will do a reverse stock split of one (1) new share of Alanco Resources Corporation for each four (4) shares of Alanco, Ltd. This reverse split is anticipated to occur during the summer or fall of 1990.

IX. ALTERNATIVES TO PROPOSED PLAN

The Debtor's alternatives to the proposed Plan of Reorganization are to (1) liquidate its equipment to generate cash in order to hold on to its mineral properties until such time as they may be sold or leased, (2) to resume active mining operations or (3) liquidate. Resuming mining operations would require raising working capital, complying with various environmental requirements and employing a management staff and work force. It appears most unlikely that the Debtor can accomplish these tasks. The Merger Agreement, attached as

Schedule G, contains a number of contingencies to be met before the Debtor is required to perform. In the event one or more of these contingencies fail to occur prior to completion of the proposed merger, it is the intention of the Debtor to re-evaluate the situation and to either (1) proceed with the merger in the event it appears in the judgment of the Debtor-in-Possession that Alanco remains the most viable alternative or (2) liquidate all of the Debtor's tools and equipment to generate proceeds to hold onto the mineral claims, leases and rights, subject to the security interest of the secured creditors other than Thunderbird Bank, until such time as it can sell or lease those claims, leases and rights.

X. TRANSFERABILITY OF ALANCO SHARES

The general rule is that securities, including shares of corporate stock, may not be issued, sold or transferred unless they are registered with the SEC and/or applicable state agencies or are issued, sold or transferred under an exemption from registration. The Alanco shares to be received by certain creditors and the shareholders of the Debtor will not be registered with the SEC.

Section 1145 of the Bankruptcy Code provides that both Federal and State registration requirements do not apply to

> "(1) the offer or sale under a plan of a security . . . of a successor to the debtor under the plan:hot mix asphalt
>
> (A) in exchange for a claim against, an interest in, or a claim for an administrative expense in the case concerning, the debtor . . . " (See 11 U.S.C. Sec. 1145 (a) (1) (A).

Under the proposed Plan of Reorganization, Alanco will be the successor to the Debtor because the Debtor will be merged into it. Therefor, the general requirement to register securities will not apply to the Alanco shares to be issued by it to certain creditors and the shareholders of the Debtor.

Section 1145 of the Bankruptcy Code further provides, through the interaction of its subsection (b) and Section 4 (1) of the Securities Act of 1933, that any creditor or shareholder of the Debtor, who does not fall within the traditional definition of an underwriter or who is not an insider of Alanco, may resell the Alanco shares without registering the shares or complying with the various SEC rules regarding the sale or transfer of restricted shares. Section 4 (1) of the Securities Act of 1933 exempts from registration the resale of outstanding shares by anyone other than the issuer, underwriters or dealers. An underwriter is usually defined as one who acquires stock with the intent to resell it, the usual intent of the recipient of shares in a Chapter 11 proceeding. However, subsection (b) of Section 1145 of the Bankruptcy Code, through very difficult and convoluted language, limits the definition of an underwriter in a Chapter 11 proceeding to one who performs the traditional underwriting function.

To the Debtor's knowledge, none of the proposed recipients of Alanco shares under the proposed Plan of Reorganization is an underwriter or would fall within the traditional definition of an underwriter. Therefor, each of the creditors and shareholders of the Debtor who receives Alanco shares under the proposed Plan of Reorganization should be able to sell those shares without having to register those shares with either the

SEC or state authorities.

Further, Rule 148 of the SEC provides a safe harbor for the resale of securities received in a Chapter 11 reorganization. The rule allows the resale of such securities subject to (1) a volume limitation, (2) a current public information requirement and (3) the requirement that the resale be conducted in either a broker's transaction or directly with a market maker.

Under the volume limitation, the number of shares that may be sold in any three month period may not exceed the greater of (1) the sum of one percent (1%) of outstanding shares plus the number of shares reserved for future issuance under the plan or (2) the average weekly trading volume during the prior four weeks. This limitation does not apply to non-affiliates if (1) the shares have been owned for three (3) years and are either listed on an exchange or quoted in NASDAQ or (2) the securities have been owned for four (4) years and the issuer is in compliance with the requirements of Rule 144 (c) (1) regarding the filing of reports with the SEC. Alanco's common stock is currently listed with NASDAQ and it is required to file periodic reports with the SEC.

The current public information requirement of Rule 148 is met if the issuer of the shares (Alanco under the Plan) is subject to the registration requirements of Section 12 of the Exchange Act and/or the periodic reporting requirements of the Exchange Act. Alanco's management has advised the Debtor that it is subject to the latter requirements.

The third requirement is that the sale either be through a broker or to a market maker. Alanco's management has advised the Debtor that a number of brokers handle its shares and that it has multiple market makers.

Rule 148 is a nonexclusive safe harbor. Therefor, shares may be sold in compliance with it and additional shares may be sold under the exemption granted by Section 1145 of the Bankruptcy Code.

XI. DELISTING OF ALANCO BY NASDAQ

Alanco failed to timely file various periodic reports with the SEC in 1989 and early 1990. This lead to a review of its situation by the staff of NASDAQ and a temporary delisting of its stock from NASDAQ. Alanco has now complied with the NASDAQ requirements of the SEC and NASDAQ. Its stock is currently listed on NASDAQ. See the Form 8-K attached as Exhibit I for further information on this matter. The Debtor-in-Possession does not anticipate that Alanco will be delisted by NASDAQ in the future. However, if that occurs prior to the completion of the proposed merger, the Debtor-in-Possession will consider the alternatives set forth in the Section IX.

XII. POTENTIAL CONFLICTS OF INTEREST OF COUNSEL AND DEBTOR-IN-POSSESSION

Subsequent to the filing of the Debtor's Petition and prior to the start of any negotiations between the Debtor and Alanco, the Debtor-in-Possession purchased a small number of Alanco shares. The total number of shares of Alanco held by the Debtor-in-Possession is less than one-half (1/2) of one (1) percent of the total number of outstanding Alanco shares. Additionally, the Debtor-in-Possession is both a secured creditor and a shareholder of the Debtor.

Current counsel for the Debtor and Debtor-in-Possession, Donald O'Neil Heck, has and continues to represent Alanco in several matters. These include the following law suits: Lane v. Alanco, Superior Court of Pinal County, Arizona and Vakula v. Alanco, et al., Superior Court of Maricopa County, Arizona. The former is a claim by a former officer and director of Alanco for failure to pay a promissory note and the latter is a claim by another former officer for wages. The first case has been settled and the second is pending with trial set for August, 1990. The other matters include the preparation of an opinion letter regarding the corporate status of Alanco for potential lenders in a proposed real estate transaction in California, holding a certificate for shares of stock issued by Alanco as earnest money for the purchase of a life insurance company and advising and negotiating for Alanco in a dispute with a former landlord. The opinion letter was never issued, the purchase of the particular life insurance company did not take place and all claim to the shares was waived by the seller, and the dispute with the former landlord is pending.

XIII. COMMITTEE OF UNSECURED CREDITORS

The Committee of Unsecured Creditors has neither met nor participated in the formation of the Plan of Reorganization.

XIV. SUMMARY OF PLAN OF REORGANIZATION

The proposed Plan of Reorganization is for the Debtor to merge into Alanco. Pursuant to the terms of merger, Alanco would pay in full certain priority claims against the Debtor within a reasonable time following the confirmation of the Plan and would also within a reasonable time issue 1,850,000 shares of its common stock to certain creditors and the shareholders of the Debtor under the terms of the Plan.

The Plan divides the creditors and parties in interest into the following classes:

Class 1: Administrative Expenses and Costs

Class 2: Taxing Authorities

Class 3: Secured Creditor - Thunderbird Bank

Class 4: Other Secured Creditors

Class 5: Unsecured Creditors

Class 6: Mineral Claims Lessor - Seth Horne

Class 7: Shareholders

The first class consists of legal fees and costs due to counsel for the Debtor and Debtor-in-Possession, fees and costs due to the Debtor-in-Possession and fees due to the U.S. Trustee. This claims are expected to approach $20,000.00 by the time the Plan is executed. They will be paid in full from any funds realized by the Debtor from its agreement with Thunderbird Bank, with the proceeds from any sale of the Debtor's equipment and any remaining unpaid balance shall be paid in full by Alanco.

The second class consists of claims of various taxing authorities. Those which are set forth on Schedule D are considered to be valid claims. These valid claims are estimated to total $37,200.00, but may be larger due to the accrual of interest. They do not include the claim of the Internal Revenue Service for $129,882.29 for Federal Unemployment Tax for 1986. That claim is considered to be invalid and will be opposed. It is anticipated that its validity may be resolved through negotiation with the Internal Revenue Service and without the necessity of a formal proceeding within the Bankruptcy Court. Alanco shall pay the claims listed on Schedule D in full. Alanco's obligations under the Plan are contingent upon a determination that the claim for Federal Unemployment Tax for 1986 is not valid. If that claim is found to be valid, Alanco has no duty to perform under the Plan.

The third class consists of Thunderbird Bank. This claim has been satisfied in full pursuant to the Joint Motion And Stipulation between it and the Debtor. It will not participate in the Plan.

The fourth class consists of the other secured creditors. These creditors are listed on Schedule B. Their claims total $78,000.00. Under the Plan they shall receive one (1) Alanco share for each ten (10) cents ($.10) of their claim. Their security interest, lien and/or deed of trust on Debtor's assets shall be voided and Alanco shall take the assets free and clear of any such security interest, lien or deed of trust.

The fifth class consists of all unsecured creditors except Seth Horne. These creditors are set forth on Schedule F. Their claims are estimated to total $71,064.00. Under the Plan they shall receive one (1) Alanco share for each twenty (20) cents ($.20) of their claim.

The sixth class consists of Seth Horne. This creditor leased certain mining claims to the Debtor who defaulted on the lease by failing to make the required payments. Pursuant to an agreement between the Debtor-in-Possession and this creditor, the Debtor shall surrender whatever leasehold interest it may have in these claims in full satisfaction of this creditor's claim.

The seventh class consists of the Debtor's shareholders. They are set forth on Schedule A. The balance of the 1,850,000 Alanco shares left over after distribution of the required number of shares to the creditors in Classes 4 and 5 will be distributed pro-rata to the members of this class in accordance with the number of shares of the Debtor that they hold. It is estimated that approximately 712,000 Alanco shares will be available to distribute to this class, but this number could change if the number or amount of the claims in Classes 4 and 5 change.

THE ALANCO SHARES TO BE RECEIVED BY THE MEMBERS OF CLASSES 4, 5 AND 6 ARE PRE-REVERSE SPLIT SHARES OF ALANCO, LTD. AND ARE NOT POST-REVERSE SPLIT SHARES OF ALANCO RESOURCES CORPORATION.

The Plan further proposes that the amount of each claim allowed will be the amounts set forth on the various schedules attached to this Disclosure Statement with the exception of the claims of Classes 1 and 2 and that the Court set a bar date for the filing of any claims by additional creditors or by listed creditors for sums in excess of the listed amount. Any such additional claims for which a proof of claim is filed prior to the bar date and which are allowed by the Court shall be classified into one of the designated classes and treated accordingly.

The proposed merger agreement between Alanco and the Debtor is attached as Schedule G to this Disclosure Statement. It conditions Alanco's duty to perform upon several factors, including the confirmation of the plan by the Court and the denial of the claim of the Internal Revenue Service for Federal Unemployment Taxes for 1986. The Debtor's obligation is contingent upon Imperial Real Estate continuing to make the monthly payments on its subscription note, the performance of by Pacific Equities Corporation of its agreement to infuse working capital into Alanco and the completion of the installation of its pollution control system on the hot mix asphalt plant near Prescott Valley, Arizona, among others.

The Merger Agreement provides that the Debtor-in-Possession may sell some or all of the tools and equipment of the Debtor while the proposed Plan is pending confirmation and prior to the confirmation of the merger, provided the funds are used to meet the claims of Class 1 and Class 2. The Debtor-in-Possession will investigate the possibility of holding an auction of all such equipment, but has not yet made a final decision on this possibility.

XV. COMPLIANCE WITH ARIZONA STATUTORY MERGER REQUIREMENTS

There is ample authority that the Debtor and Alanco do and will not have to comply with the substantive requirements of the Arizona Business Corporation Act in order to accomplish the merger contemplated by the Plan of Reorganization.

Dated this 16th day of May, 1990.

Donald O'Neil Heck

Donald O'Neil Heck
6818 East Vist Drive
Scottsdale, Arizona 85253
Attorney for Debtor and
Debtor-in-Possession

W. W. Grace

W.W. Grace
8238 East Indian School Road
Scottsdale, Arizona 85251
Debtor-in-Possession

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule A

SCHEDULE A

SHAREHOLDERS OF TOMBSTONE SILVER MINES

Name	Number Of Shares
Allen, Edmund T., III P.O. Box 32672 Phoenix, Arizona 85044	30,000
Charlou Corp. P.O. Box 715 Tombstone, Arizona 85638	792,143
DeMille, Newey 5819 East Jean Avenue Phoenix, Arizona 85018	53,334
Escapule, Bailey P.O. Box 715 Tombstone, Arizona 85638	60,595
Escapule, Charles P.O. Box 715 Tombstone, Arizona 85638	20,000
Escapule, Louis & Jacqueline P.O. Box 715 Tombstone, Arizona 85638	80,594
Escapule, Wallace P.O. Box 715 Tombstone, Arizona 85638	6,667
Grace, W. W. 8238 East Indian School Road Scottsdale, Arizona 85251	193,334
Graeb, William E.	6,250
Henderson, Bill	3,125
Henderson, P. S.	6,250
Hicks, Kermit G. 598 Meadowview Circle Greencastle, PA 17225	53,334

Horne, Maurine D. and Seth 3033 North Central Avenue Phoenix, Arizona 85012	53,334
Howard, David M. 1770 West 7th Ave., Suite 401 Vancouver, British Columbia V6J 4Z4	100,000
Jeffrey, P. Joseph and Diane G. Route 2, Box 127 Lexington, Nebraska 68850	53,334
Krehbiel, L. J. and Doris M. [redacted] 4200 N. Miller #323 Scottsdale, AZ 85251	44,445
Krehbiel, Stanley E. and Betty S. 3064 Bluebird Wichita, Kansas 67204	53,334
Mixer, Kenneth D.	3,215
Peterson, L. R. 1100 Melville Street Vancouver, British Columbia V6E 4B4	53,334
Rouse, Hal D. 406 North Caswell Street LaGrange, North Carolina 28551	53,334
Rouse, Phillip W. 406 North Caswell Street LaGrange, North Carolina 28551	53,334
Saunders, Charles D. P.O. Box 1154 Greenwood, Mississippi	186,667
Silver Venture Mining Co., Inc. 8238 East Indian School Road Scottsdale, Arizona 85251	300,000
Summerville, Donald	6,250
Thomas, David A. North 284 Scottsdale House 4800 North 68th Street Scottsdale, Arizona 85251	193,334

Trecker, Dorothy G. 936 Shaker Circle Mequon, Wisconsin 53092	53,334
Tingam, George and Barbara [redacted] 10733 Sunset Office Dr. #355 St. Louis, Mo. 63127	8,889
Total	2,531,764

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule B

SCHEDULE B

SECURED CREDITORS OTHER THAN THUNDERBIRD BANK

Name	Amount
W. W. Grace 8238 East Indian School Road Scottsdale, Arizona 85251	$ 7,000.00
David A. Thomas 4800 North 68th Street Scottsdale, Arizona 85251	15,000.00
Hal Rouse 406 North Caswell Street LaGrange, North Carolina 28251	8,000.00
Phillip Rouse 406 North Caswell Street LaGrange, North Carolina 28251	8,000.00
Charles Saunders P.O. Box 1154 Greenwood, Mississippi 38930	40,000.00
Total	$78,000.00

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule C

SCHEDULE C

PRINCIPAL MINERAL RIGHTS AND CLAIMS

Tombstone Silver Mines, Inc. owns the mineral rights, but not the water or surface rights to the following claims in Cochise County, Arizona. It has an easement over the surface of these claims to the extent reasonably necessar to conduct mining operations.

1. Brother Jonathan Lode Mining Claim, in Tombstone Mining District, being shown as Mineral Survey No. 578 and Lot 153 on file in the Bureau of Land Management as granted by Patent recorded in Book 8 of Deeds of Mines, Page 520, records of Chochise County, Arizona.

2. Triple Ex Lode Mining Claim, in Tombstone Mining District, being shown as Mineral Survey No. 577 and Lot 152 in the Bureau of Land Management granted by Patent recorded in Book 8 of Deeds of Mines, Page 577, records of Cochise County, Arizona.

3. Lowell Lode Mining Claim, in Tombstone Mining District, being shown as Mineral Survey 797 and Lot 189 on file in the Bureau of Land Management as granted by Patent recorded in Book 12 of Deeds of Mines, Page 615, records of Cochise County, Arizona.

4. Red Top Lodge Mining Claim, in Tombstone Mining District, being shown as Mineral Survey No. 52 and Lot 55 on file in the Bureau of Land Management as granted by Patent recorded in Book 7 of Deeds of Mines, Page 75, records of Cochise County, Arizona.

5. Clipper Lode Mining Claim, in Tombstone Mining District, being shown as Mineral Survey No. 120 and Lot 105 in the Bureau of Land Management as granted by Patent recorded in Book 9 of Deeds of Mines, Page 429, records of Cochise County, Arizona.

6. Merrimac Lode Mining Claim in Tombstone Mining District being shown as Mineral Survey No. 53 and Lot 51 in the Bureau of Land Management as grante by Patent recorded in Book 9 of Deeds of Mines, Page 413, records of Cochise County, Arizona.

7. Maine (also known as State of Maine) Lode Mining Claim, in Tombstone Mining District, being shown as Mineral Survey No. 579 and Lot 154 on file in the Bureau of Land Management as granted by Patent recorded in Book 8 of Deeds of Mines, Page 540, records of Cochise County, Arizona.

8. May Lode Mining Claim, in Tombstone Mining District, being shown as Mineral Survey No. 317 and Lot 114 on file in the Bureau of Land Management as granted by Patent recorded in Book 7 of Deeds of Mines, Page 694 of records of Cochise County, Arizona.

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule D

SCHEDULE D

TOOLS AND EQUIPMENT

A. Pickups and Tructs

1. 1979 Ford Pickup
2. 1970 Dodge Tractor
3. 1963 Dodge Stake
4. 1965 GMC & Dump Bar
5. 1970 Dump Tractor
6. 1979 Ford Tractor
7. 1971 Chevy Pickup

B. Tools and Equipment

1. 1978 International 515 Front Loader
2. 1979 International 3964B Excavator
3. 1,000 gal. Gas Tank & Stand
4. 35' Steel Headframe/Hoist
5. 54' x 40' Shop Building
6. Agglomeration System
7. 30' x 20" Conveyor Agglomerator
8. 6 Ton Lime Bin/Feeder
9. 2 Ton Cement Bin/Feeder
10. 14,000 Gal. Water Storage Tank
11. 4 - 500 Gal. Reagent Mix Tanks
12. 3,000 Gal. Mix Tank
13. 5,000 Gal. Tank
14. 8 Yard Cement Mixer
15. Atomic Absorption Unit
16. 300 TPD Precipation Plant
17. ISO TPD Precipation Plant
18. Misc. Safety Equipment
19. 5 Horse Power Submersible Pump
20. Caterpillar 12' Road Blade
21. 500 Gal. Tank & Stand
22. 12' x 18' Plant Building
23. 12' x 16' Plant Building
24. Misc. Power Lines & Switching Gear
25. 2 - Manifolds for 340 TPD Plant
26. 600' of 5" Steel Pipe, Pump Tank
27. 300' of PVC Thinwall
28. 500' of 2" PVC Sch 40
29. 20' x 20' Smelter Building
30. #200 Diesel Tilt Furnace
31. 300 Gal. Tank
32. #200 Silicon Graphite Crucilble
33. #16 Butane Fired Furnace
34. Impact Mill
35. 4' x 6' Shaker Table/Feeder

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule E

SCHEDULE E

TAX CLAIMS

Name	Amount
Internal Revenue Service	$27,000.00
Arizona Department of Economic Security	2,042.00
Arizona Department of Revenue	1,087.00
Arizona Motor Vehicle Division	81.00
Cochise County Assessor	568.00
Cochise County Treasurer	6,415.00
Total	$37,193.00

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule F

SCHEDULE F

UNSECURED CREDITORS

Name	Amount
James Varga, CPA	$ 1,623.00
Harwitch Holdings, Ltd.	1,153.00
W. W. Grace	1,500.00
Tombstone Ace Hardware	259.00
David A. Thomas	5,000.00
James A. Briscoe	18,665.00
Border Machinery	14,773.00
Bill Gianetto	5,000.00
Archies Auto Parts	1,752.00
Frontier Equipment	2,738.00
Seth Horne	3,500.00
State of Maine Mining Company	3,064.00
Instec Insurance Company	2,145.00
C. B. Escapule	1,850.00
Charlou Corporation	6,814.00
Mardee Stuart	777.00
Western Technologies	249.00
Mine Saftey Appliances	171.00
Safeguards	181.00
Mike Escapule	1,124.00
Russ Escapule	1,081.00
Wallace A. Escapule	145.00
Total	$74,564.00

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule G

MERGER AGREEMENT

A Merger Agreement (Agreement) entered into this 10th day of May, 1990, by and between Alanco, Ltd. (Alanco), an Arizona corporation, and Tombstone Silver Mines, Inc. (Tombstone), an Arizona corporation.

RECITALS

1. Tombstone is the owner of certain mineral rights, mining claims and mining leases (Tombstone Claims) in the Tombstone Mining District of Arizona and at one time was actively engaged in the business of mining silver on the Tombstone Claims.

2. Tombstone is currently under the protection of Chapter 11 of the Bankruptcy Code in a proceeding in the United States Bankruptcy Court for the District of Arizona, Case No. 87-00517 PHX GBN (Case No. 87-00517 PHX GBN).

3. Alanco is the owner of certain mineral rights, mining claims and mineral leases in the Tombstone Mining District of Arizona, including properties that are adjacent to the Tombstone Claims.

4. Alanco has been engaged in the business of mining gold and silver in the past and is currently in the business of acquiring and developing mineral properties.

5. Alanco and Tombstone desire to merge Tombstone into Alanco.

COVENANTS

Therefore, in consideration of the mutual promises and covenants contained in this Agreement, the parties mutually agree as follows:

1. Tombstone shall propose a Plan of Reorganization (Plan) in Case No. 87-00517 PHX GBN proposing the merger of Tombstone into Alanco on the following terms:

a. Tombstone shall be merged into Alanco and Alanco shall be the surviving corporation.

b. Alanco, as the surviving corporation shall pay the following claims against Tombstone:

(1) All Administrative Expenses incurred by Tombstone in Case No. 87-00517 PHX GBN for legal fees and costs, Debtor-in-Possession fees and cost and U.S. Trustee fees which are

unpaid at the time of confirmation of the Plan and all administrative expenses which accrue thereafter.

(2) Priority claims of the United States, State of Arizona and Cochise County, Arizona for various taxes, including but not limited to Federal and State Withholding and Payroll Taxes and County Property Taxes, subject to the limitation that the disallowance of the claim of the Internal Revenue Service for $129,882.29 of Federal Unemployment Taxes plus penalties and interest for 1986 is a condition precedent to Alanco's duty to perform under this Agreement, as set forth in Section 6.

c. Alanco shall issue 1,850,000 shares of its common stock to be distributed as follows to the remaining secured creditors, unsecured creditors and shareholders of Tombstone:

(1) One (1) share for each Ten Cents ($0.10)) of the claim of each remaining secured creditor.

(2) One (1) share for each Twenty Cents ($0.20) of the claim of each remain unsecured creditor.

(3) After distribution of sufficient shares to meet the requirements of Subsections 1 c (1) and (2), the remaining shares shall be distributed prorata among the shareholders of Tombstone.

d. The unsecured claim of Seth Horne for lease payments due on the lease of certain mining claims (Horne Claims) shall be satisfied by the surrender of whatever interest Tombstone possesses in the Horne Claims to Seth Horne.

e. In order to avoid issuing fractional Alanco shares, any fractional amount of shares shall be rounded up to the next higher whole number when determining the number of shares to be issued to a creditor or shareholder.

2. Alanco acknowledges that Tombstone, based upon preliminary negotiations between the parties, has filed a Plan and a Disclosure Statement in Case No. 87-00517 PHX GBN which generally reflect the terms of the contemplated merger. Tombstone shall upon the execution of this Agreement amend the Plan and/or Disclosure Statement as required to reflect the terms of this Agreement. Alanco shall cooperate fully with Tombstone in preparing any amended documents shall provide to Tombstone any information required by it or the Bankruptcy Court.

3. Upon the confirmation of the Plan by the Bankruptcy Court in Case No. 87-00517 PHX GBN and the satisfaction of the other conditions precedent to Alanco's duty to perform, which are set forth in Section 7, Alanco shall within a reasonable period of time, which shall not exceed seventyfive (75) calendar days, do the following:

a. Pay all then allowed and unallowed administrative expenses and all subsequent administrative expenses.

b. Pay the allowed claims of the United States, State of Arizona and Cochise County, Arizona as required by the approved Plan of Reorganization.

c. Assist Tombstone in determining the correct number of shares to be issued to various secured creditors, unsecured creditors and shareholders of Tombstone pursuant to the Plan and to issue the 1,850.000 shares required by the Plan.

4. Upon the confirmation of the Plan by the Bankruptcy Court in Case No. 87-00517 PHX GBN and the satisfaction of the other conditions precedent to Tombstone's duty to perform, which are set forth in Section , Tombstone shall within a reasonable period of time, which shall not exceed seventyfive (75) calendar days, do the following:

a. Transfer all assets, including but not limited to real property interests, tangible personal property, and intangible personal property, to Alanco. Tombstone shall take such action and prepare and execute such documents as may be required to transfer the ownership of its assets to Alanco.

b. Cooperate fully with Alanco in determining the number of shares to be issued to various creditors and the shareholders of Tombstone pursuant to the Plan.

c. Proceed with any remaining litigation or legal matters remaining unresolved and take an other required actions in Case No. 87-00517 PHX GBN which are reasonably required to accomplish the merger proposed by the Plan.

d. Cooperate fully with Alanco in providing any information and/or records regarding Tombstone which may be required by Alanco to accomplish the merger proposed by the Plan.

5. The parties acknowledge that the Bankruptcy Court in Case No. 87-00517 has approved an agreement between Tombstone and certain of its creditors providing for the substitution of a lien on certain real property interests of Tombstone for their unperfected security interest in the tools and equipment of Tombstone and has further authorized the Debtor-in-Possession of Tombstone, W. W. Grace, to sell the tools and equipment of Tombstone upon such terms and conditions as he, in his discretion, determines to be appropriate in order to raise cash to pay necessary administrative expenses of Tombstone in Case No. 87-00517 PHX GBN. The parties agree that while the adoption of the Plan is pending that Tombstone's Debtor-in-Possession, W. W. Grace, may proceed to sell its tools and equipment upon the terms and conditions imposed by the Bankruptcy Court and may use the funds for the purposes set forth by the Bankruptcy Court in its order on this matter.

6. The following are conditions precedent to Alanco's duty to perform under this agreement:

a. Confirmation of the Plan by the Bankruptcy Court in Case No. 87-00517 PHX GBN.

b. The disallowance by either the Bankruptcy Court or by an agreed resolution acceptable to Alanco of the claim of the Internal Revenue Service for $129,882.29 in Federal Unemployment Taxes plus penalties and interest for 1986.

c. The approval by Alanco of Tombstone's title and ownership of the various mineral and mining claims, leases and rights of Tombstone.

7. The following are conditions precedent to Tombstone's duty to perform under this agreement:

a. Confirmation of the Plan by the Bankruptcy Court in Case No.87-00517 PHX GBN, including the inclusion in the Confirmation Order that the Alanco shares to be issued to various creditors and the shareholders of Tombstone may be freely resold under the provisions of Section 1145 of the Bankruptcy Code, Section 4 (1) of the Securities Act of 1933 and Rule 148 of the Securities and Exchange Commission.

b. The installation of the pollution control system of Alanco's subsidiary, Environetics, on a hot mix asphalt plant in Prescott Valley, Arizona prior to the confirmation of the Plan.

c. Imperial Real Estate Corporation continuing to make all required payments in a timely fashion on its subscription note payable to Alanco.

d. Alanco's shares being listed on NASDAQ on the date of confirmation of the Plan.

e. The performance by Pacific Equities Corporation of its contractual obligations with Alanco to infuse additional working capital into Alanco.

8. Alanco represents and warrants that this Agreement and the contemplated merger have been approved by its Board of Directors and, if required, will be approved by its shareholders.

9. The parties acknowledge that Alanco has announced that it will shortly change its name from Alanco, Ltd. to Alanco Resources Corporation and will execute a one (1) for four (4) reverse stock split of its shares, that is Alanco Resources Corporation will issue one (1) share of its common stock for each four (4) shares of Alanco, Ltd. common stock. The parties agree that the 1,850,000 shares of Alanco stock to be issued pursuant to this Agreement are pre-reverse split shares of Alanco, Ltd. common stock.

In witness where of, the parties execute this Agreement on the date following their signatures:

Alanco:

Alanco, Ltd.

By: ______________________________
Kevin L. Jones
President

Date: May 15, 1990

Tombstone:

Tombstone Silver Mines, Inc.

By: ______________________________
W. W. Grace
Debtor-in-Possession

Date: May 15, 1990

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule H

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended May 31, 1989
Commission file number 0-9347

ALANCO LTD.

(Exact name of registrant as specified in its charter)

Arizona	**86-0220694**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7345 East Acoma Dr., Suite 307, Scottsdale, Arizona	**85260**
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number: (602) 991-8540

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, NO PAR VALUE

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes ____ No X

and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of January 11, 1990.

Common Stock, no par value $ 4,254,737

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of May 31, 1989

Common Stock, no par value 49,548,549 shares

Documents incorporated by reference:

NONE

PART I

ITEM 1. BUSINESS

(a) DESCRIPTION OF BUSINESS.

Until fiscal year 1989, Alanco Ltd. and its subsidiaries were principally engaged in the acquisition of mining properties, primarily in Arizona, for exploration and development of mineralized material. In fiscal 1988, Alanco Ltd.'s management decided that the Company needed to diversify in order to survive and prosper in the future. The first step taken in this direction was the acquisition of marketing and manufacturing rights to an air pollution control device. These rights were then transferred, in December, 1987, into Environetics, Inc., a Colorado corporation (formerly Carrera Capital Corporation), a registered public company in exchange for shares representing majority-control of that company. In fiscal 1989, the Company continued its efforts toward diversification by negotiating for real estate acquisitions in California and Florida as well as negotiating for a Delaware based insurance company. These efforts are discussed under section (a)(1) The Company, immediately following this introduction.

When used in this report the term "Company" shall apply to Alanco Ltd. and its wholly owned subsidiaries; the term "Environetics" shall refer to Environetics, Inc., a Colorado corporation and its wholly-owned subsidiary Environetics, Inc., a Nevada corporation; the term "Alanco" shall refer only to Alanco Ltd.; and the term "Companies" shall refer to Alanco Ltd. and all of its subsidiaries whether wholly-owned or partially-owned. Discussions concerning Environetics, Inc. shall follow each topical discussion of Alanco Ltd. in the appropriate categories.

(a)(1) The Company.

Since June 1980, the Company has acquired eight wholly-owned subsidiaries, three partially-owned subsidiaries, purchased interests in several mining properties in Arizona, renovated and expanded two precious metals mills and a refinery, and obtained varying working interests in producing petroleum properties located principally in Oklahoma. Due primarily to the depressed market for metals and petroleum during much of this period, Alanco has engaged in only limited development of its holdings. The Company has been able to acquire mining and petroleum properties despite limited working capital and credit through issuances of its capital stock and financing by outside investors and entities in which officers or directors of the Company have an equity interest.

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued

During fiscal 1986 through fiscal 1988, the Company evaluated its mineral property portfolio through the use of computer analysis to determine each property's economic feasibility. Based upon the results of these evaluations, the Company has abandoned six of its nineteen mineral properties and added one mineral property located in southeastern Nevada and written off substantially all of its investment in petroleum properties.

During fiscal year 1989, the Company was approached by a Seattle based corporation, which desired to lease the Company's Tombstone Mill and Refinery and did indeed enter into a lease agreement with an option to purchase on the 17th day February, 1989 (See (a)(1)(ii) Tombstone Mill Facility).

Additionally, the Company was approached with reference to participation in real estate developments in California and Florida. With regard to the proposal on the California development, the Company entered into a preliminary agreement for the acquisition of a 363 acre residential and commercial real estate development. The development is located within the city limits of Richmond, California and is immediately adjacent to the San Pablo Canyon reservoir and Wildcat Regional Park, an approximately 25,000 acre natural preserve. The terms of the agreement center around the Company acquiring 100% of the outstanding shares of a corporation known as Sutton Place, Inc., a Nevada corporation and a related party (See discussion regarding the acquisition of ownership to patents, patents pending and patent application technology). The property was appraised in 1988 for $50,000,000 by the appraisal firm of Lamb, Hanson, Lamb of San Francisco.

With regard to the Florida real estate opportunities, the Company began the establishment of a Florida subsidiary which would acquire certain real estate projects. These projects consisted of four motels to be built on land acquired by the parties that management was negotiating with along with two residential real estate developments. The potential of the project viewed by management was excellent, however, capital fund raising efforts undertaken by the Company to reasonably ensure the subsidiaries success were not did not materialize. Subsequent to year end the Company abandoned any further efforts in this area for the time being.

During Fiscal 1989, the Company was party to a contract dispute with Newbery Corporation. The dispute was with regard to the Marketing Royalties due under the License Agreement the Company acquired and subsequently transferred to its majority-

ITEM 1. BUSINESS, continued

(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued

controlled subsidiary, Environetics, Inc. The dispute arose when the Company had not payed the annual marketing royalty, due in calendar year 1988, and the Company informed Newbery that they had not turned over to the Company significant test data and blueprints as the License Agreement provided for. The dispute, which never resulted in an official complaint being filed in any court of law, was settled between the parties in the Company's fourth quarter. The settlement called for a release of any and all claims, which could arise now or in the future from the non-performance by either party and the patents would be sold to the Company for a payment of $100,000. Since Newbery had previously filed a Chapter 11 proceeding, any and all agreements would have to be cleared with the Bankruptcy Court. On April 19, 1989 the U.S. Bankruptcy Judge entered a motion approving the settlement and compromise between Newbery Corporation and Alanco Ltd.

The Company began efforts as early as November of 1988, and pursued four different avenues to acquire the necessary capital to purchase these patents. The first was to use its Environetics, Inc. stock ownership position to collateralize a loan, which was unsuccessful. The second was a working capital private placement which again was unsuccessful. The third avenue was to negotiate the acquisition of the patents through a Tucson based mineral exploration company. This third avenue looked promising until the terms for the Company to acquire ownership of the patents from the mineral exploration company became so punitive that management believed a default by the Company on those terms would have been imminently forthcoming and would have in deed placed the Company in a more precarious position.

The fourth avenue and only alternative left to the Company was to allow a Nevada based corporation known as Sutton Place, Inc. to loan the Company the $100,000 to purchase the patents and then accept an assignment of the patents as payment in full on the loan. In addition, the Company would then acquire the patents, previously owned by Newbery Corporation, four additional patent applications pending, recently acquired by Sutton Place, Inc. and $400,000 in working capital in exchange for 12,000,000 shares of the Company's authorized but unissued stock and 3,500,000 shares of the Company's stock ownership position of Environetics, Inc.

Management of the Company agreed to the transaction for several reasons. First, the initial price to purchase these patents, as provided for in the License Agreement, was $1,000,000. Second, if the Company failed to make or have made the $100,000 payment to Newbery Corporation it more than likely would have been defaulted out of the agreement by the Bankruptcy

ITEM 1. BUSINESS, continued

(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued

Court and be left owing Newbery Corporation the 1988 marketing royalty payment of $94,000. Third, if defaulted by the Bankruptcy Court, the Company would have then been in default under the agreement with its subsidiary corporation, Environetics, Inc. which more than likely would have lead to either an adjustment of its ownership interest or more than likely a legal action.

The booking of this patent acquisition has been recorded at a cost of $124,521 (See Note 15 of the Notes to the Consolidated Financial Statements). The Company believes that the actual value of the transaction to the Company far exceeds the value that the Company must record in accordance with Generally Accepted Accounting Principles.

As a result of the acquisition of the patents, patents pending and patent applications pending, the Company has temporarily sustained a reduction in its ownership position of Environetics, Inc. Prior to the aforementioned transaction the Company owned 57.75% of the outstanding shares of Environetics, Inc., it now owns 38.3% of the outstanding shares. The Company has agreed in principle to sell all of the acquired patent technology to Environetics, Inc., subject to its shareholders' approval, for shares of Environetics common stock which will, upon completion of the transaction, again give The Company majority-control.

As of fiscal year ending May 31, 1989, Sutton Place, Inc. was delinquent on their venture capital commitment and subsequent to year end, arrangements have been made with an unrelated party to fulfill this venture capital commitment (See Note 18 of the Notes to the Consolidated Financial Statements).

During fiscal 1988, the Company was involved in discussions with a New York Stock Exchange listed firm, a midwestern insurance company, and a Chicago based investment firm regarding capital financing for two of the Company's projects, the C.O.D. Mine and the Tombstone Mill Facility. The Company has also been approached by a major Japanese firm who is currently reviewing several of the Company's mineral properties for possible participation and development. As of the end of fiscal 1989, no agreements were reached with any of these companies.

At the annual meeting of the Shareholders, held in December, 1987, a proposal was approved for a rights-warrants offering for the Registrant. The rights-warrants would give each shareholder of record, on the record date, the right to purchase, for up to one year, one share of the Registrant's common stock for each share owned. This offering is subject to the preparation of a registration, submission to the Securities and Exchange

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued

Commission, and approval by the Securities and Exchange Commission. During fiscal 1989, the Company suspended further progress on this registration statement as it was deemed not to be in the best interest of the Company at this time.

In August 1987, the Company resolved a dispute over the registration of certain shares (See Note 12c of the Notes to Consolidated Financial Statements) which satisfied a lien that had been placed on the Company's Tombstone Mill Facility in 1982 (See Item 1 Business - (a)(1)(ii) Tombstone Mill Facility).

In November, 1987, the Company acquired the marketing rights to a patented pollution control device known as the Ecotech System along with demonstration equipment. The Company transferred the rights and equipment to a 99% owned subsidiary and later exchanged the stock of this subsidiary for a majority-ownership of a start-up publicly held corporation. (In depth discussion of this transaction may be found in Item I. - Business, (a)(1)(iii) Environetics).

(a)(1)(i) C.O.D. Mine.

During fiscal 1988, the Board of Directors of the Company authorized the issuance of 10,000,000 shares of its unissued common stock to a related party in exchange for $500,000 and certain mining claims totaling about 2,800 acres that are contiguous to the C.O.D. Mine. The C.O.D. Mine which is located near Kingman, Arizona, consists of 37 contiguous and, in some cases, overlapping mining claims of approximately 700 acres and 21 adjacent mill sites of approximately 105 acres. The value placed on the acquired acreage was determined pursuant to an appraisal performed by Anthony Lane & Associates.

The C.O.D. Mine has produced silver and gold from intermittent operations since 1895, and currently has the capacity to produce up to 60 tons of ore per day. The Company began renovation of the facilities located at the C.O.D. Mine in August, 1987 and has started a new adit that will be driven into the slope of the Cerbat Mountains, from a location just above the main shaft to the C.O.D. Mine. The Company intends to develop some 2500 feet of the C.O.D. - Rico vein structure through this adit.

The Company has been and shall continue to pursue sufficient project financing and/or capital to allow full scale mining and milling operations to begin at the C.O.D. Mine.

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(i) C.O.D. Mine, continued

The current proven mineralized material at the C.O.D. Mine is approximately 70,000 tons of mineralized material with average grades of: Gold (Au) 0.210 ounces per ton, Silver (Ag) 13.40 ounces per ton, Lead (Pb) 2.50% per ton, and Zinc (Zn) 3.25% per ton.

Flotation recovery lab tests performed in prior years by an independent company indicated no less than 90% recovery of each of the above referenced metals is possible. These recovery percentages were verified by the Company at its Tombstone Mill Facility.

Based upon May, 1988 metal prices, the gross recovered value of the metal would be $175.60 per ton. The gross profit should be approximately $54.00 per ton after deducting all operating and smelting costs.

The Company has undertaken to identify and thus prove additional mineralized material deposits believed to be present at the C.O.D. Mine by means of the adit previously mentioned.

No assurance can be given at this time to the ability of the Company to complete any of these financings or arrangements which would bring the C.O.D. Mine into production sooner than the Company's current capabilities allow.

Subsequent to the leasing of the Tombstone Mill Facility, discussed in the following section, Computerized Trading Services International, Inc., a Washington corporation ("CTSI"), agreed to aid the Company in locating a source of capital financing in order to resume operations at the Company's C.O.D. Mine. Though no written contract was ever executed the basis of the understanding is that for and in exchange of CTSI's locating such a source, CTSI would be granted a first right to process the concentrates generated by the mining and milling operations of the C.O.D. Mine. This first right was also subject to its competitive nature with other processing sources. At this time no source of capital financing has been located by either party.

(a)(1)(ii) Tombstone Mill Facility

The Tombstone Mill Facility is located approximately 3 1/2 miles southwest of Tombstone, Arizona and encompasses approximately 75 acres of land. Established in 1969 by Alanco's predecessor corporation it was designed as a custom ore milling facility which was later sold. After being re-acquired by the Registrant in 1980, the Company began revamping the facility. Currently the facility has the capability to: crush up to 1,000

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(ii) Tombstone Mill Facility

tons of ore per day, run closed circuit agitated leaching on either a flow through or recirculating method, perform leach pond flooding on mineralized material, gravity concentration on small batch lots, flotation on small batch lots and complete lab size pilot testing for mineral extraction as well as both fire and chemical assay analysis.

The Company has been involved in discussions with other land owners in the Tombstone Mining District, which could lead to the consolidation of up to 90% of the mining claim land holdings. The Company believes that the consolidation of claim ownership would facilitate future group negotiations with major mining companies for development and production and could lead to a mineralized material source for processing at the facility.

In February 1989, Alanco Ltd. leased this facility to a Seattle based corporation known as Computerized Trading Services International, Inc. ("CTSI"). The consideration for this one year lease was a fee of $25,000 upon execution and $6,000 per month and an option to purchase the facility during that year for $1,200,000 less 80% of the lease proceeds already paid. As of May 31, 1989, the Company had received the initial payment of $25,000 and one monthly payment.

The Company and CTSI further agreed to pursue a mutual capital source of funding to re-open the Company's C.O.D. Mine (See discussion under (a)(1)(i) C.O.D. Mine).

The Tombstone Mill is currently carried on the books of the Company at its historical cost.

(a)(1)(iii) Environetics.

Environetics, Inc. is a Colorado corporation whose principal asset is a wholly-owned subsidiary, Environetics, Inc., a Nevada corporation, which held the manufacturing and marketing rights to a patented air pollution control system and owns certain demonstration equipment (See Note 17 of the Notes to the Consolidated Financial Statements). Environetics, Inc., a Nevada corporation was incorporated as a 99% owned subsidiary of Alanco under the laws of the State of Nevada on October 16, 1987. Environetics, Inc., a Colorado corporation was incorporated under the laws of the State of Colorado on February 26, 1987 as Carrera Capital Corporation. Carrera Capital Corporation changed its name to Environetics, Inc. on January 25, 1988. The following is a description of business performed by both entities from the respective dates of inception up to the date of this audited financial statement.

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(iii) Environetics, continued

Carrera Capital Corporation ("Carrera") was organized for the primary purpose of seeking selected mergers or acquisitions with a small number of business entities expected to be private companies, partnerships or sole proprietorships. Since inception, the primary activity of Carrera was directed to organizational efforts and obtaining initial financing. The initial financing raised by Carrera was through the sale of its securities pursuant to the registration statement on file with the Securities and Exchange Commission. The securities of Carrera pursuant to the Registration Statement, were 3,000,000 shares of common stock with 3,000,000 warrants to purchase an additional 3,000,000 shares, and were registered as units. The effective date of the Registration Statement was July 8, 1987 and Carrera raised $300,000, $0.10 per unit, and closed the offering, as completed in full, on October 20, 1987.

(a)(1)(iii)(a) Plan of Acquisition

Carrera followed a systematic approach to identify its most suitable acquisition candidates.

First, management concentrated on identifying any number of preliminary prospects which were brought to the attention of management through present associations. Management then applied certain of its broad criteria to the preliminary prospects. Essentially, this entailed a determination by management as to whether or not the prospects were in an industry which appeared promising and whether or not the prospects themselves had potential within their own industries. During this initial screening process, management asked and received answers to questions framed to provide appropriate threshold information, depending upon the nature of the prospect's business. Such evaluation was not expected to be an in-depth analysis of the target company's operations although it did encompass a look at most, if not all, of the same areas to be examined once one or more target companies were selected for an in-depth review.

Management's preliminary evaluation was intended to provide a broad overview of the business of the target company and would allow a large percentage of preliminary prospects to be eliminated from further consideration.

Based upon management's ability to complete this preliminary evaluation process, it selected a single company for further study. Carrera requested and received information from which management conducted an in-depth analysis of five (5) major areas of concern with respect to the target company as follows:

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(iii) Environetics, continued
(a)(1)(iii)(a) Plan of Acquisition, continued
(a)(1)(iii)(a)(1) Managerial and Financial Stability.

Management of Carrera reviewed audited financial statements of the target company and researched the background of each director and member of management of the target company to ascertain the stability of both. Management believes that both of these criteria were met by the target company.

(a)(1)(iii)(a)(2) Industry Status.

Management was provided with information concerning the target company's industry segment as well as being personally aware of the potential uses and applications of air pollution control equipment.

(a)(1)(iii)(a)(3) Production of Product.

As the target company held the manufacturing rights to its product, management reviewed whether it had the necessary resources or access to the necessary resources and supplies to produce a quality product in a timely manner. In the case of the target company selected, management requested and reviewed information concerning job-shop sources of construction of the pollution control device the target company was marketing and found them to be reputable firms with many years of experience in the metal prefabrication business.

(a)(1)(iii)(a)(4) Acceptance and Potential of Product.

Management reviewed the acceptance of the target company's product in the market place. This entailed meetings with engineers that represented the target company's largest potential client. Management was satisfied that the product offered by the target company would be accepted in the market place and had an enormous potential market worldwide.

(a)(1)(iii)(a)(5) Development of the Target Company.

Management reviewed the development of the target company, and even though it was considered a start-up stage corporation, the history and background of the development of Environetics products and patents were considered impressive as to the future potential.

The foregoing was the outline of the areas of concern which management carefully scrutinized.

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(iii) Environetics, continued
(a)(1)(iii)(a) Plan of Acquisition, continued

Prior to the selection of the target company that management reviewed, management realized the possible varieties of target companies which may come to the attention of management, and that additional factors would most likely have to be considered in any given analysis. Also, the procedures used in such a review were anticipated to vary depending upon the target company being analyzed. Management believed that it might select a target company for further negotiations even though it may not receive a favorable evaluation as to some of the five areas of concern.

Based upon the target company meeting these criteria, management expected to enter into further negotiations with the target company management. Negotiations with target company management were expected to focus on the percentage of Carrera which target company shareholders would acquire in exchange for their shareholdings in the target company. Depending upon, among other things, the target company's assets and liabilities, the Carrera's shareholders would in all likelihood hold a lesser percentage ownership interest in Carrera following any merger or acquisition. The percentage ownership would be subject to significant reduction in the event that Carrera acquires a target company with substantial assets, as was the case herein.

Carrera expected to incur significant legal fees and accounting costs during the final stages of a merger or acquisition. Also, upon completion of the merger or acquisition, management anticipated that certain costs would be incurred for public relations, such as the dissemination of information to the public, to the shareholders and to the financial community. If Carrera was unable to complete the merger or acquisition for any reason, Carrera's capital could have been substantially depleted if legal fees and accounting costs had been incurred.

(a)(1)(iii)(b) Acquisition

During the period from the closing of the offering and December 28, 1987, Carrera was engaged in efforts to identify merger or acquisition "targets". In November, 1987, Carrera was contacted by a merger and/or acquisition candidate that management felt had considerable potential. This corporation had the exclusive manufacturing and marketing rights to a dry process pollution control device utilizing and based upon method and apparatus patents.

Carrera performed its due diligence by inspecting a test being performed at a potential client of the corporation and reviewed considerable documentation pertaining to the

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(iii) Environetics, continued
(a)(1)(iii)(b) Acquisition, continued

corporation. On December 28, 1987, Carrera entered into a Plan of Reorganization, which was completed on December 31, 1987.

Through the Plan of Reorganization, Carrera acquired all of the outstanding common stock of Environetics, Inc., a Nevada corporation, for 13,500,000 shares of the authorized but unissued shares, which represented 75% of the resulting outstanding shares of Carrera. At the time of the transaction, Alanco Ltd., which owned 99% of Environetics, Inc., issued shares from those it received as commissions to unrelated parties who aided in the merger-acquisition which resulted in Alanco's ownership being 57.8% of the outstanding shares of Carrera.

Upon completion of the Plan of Reorganization, Carrera moved its Corporate Offices to Scottsdale, Arizona and on January 25, 1988 at a shareholders' meeting the name of Carrera was changed to Environetics, Inc., a Colorado corporation.

The assets of Environetics, Inc. included test units of the pollution control device available for on-site testing at potential client installations, miscellaneous components for the test equipment and the exclusive manufacturing and marketing rights to the related patents.(See Note 17 of the Notes to Consolidated Financial Statements).

The patents are known as United States Patent No. 4,220,478, titled "Method For Removing Particulate Matter From A Gas Stream And A Method For Producing A Product Using The Removed Particulate Matter" and United States Patent No. 4,290,786 titled "Apparatus For Removing Particulate Matter From A Gas Stream".

Environetics will be involved in on-site testing of its pollution control device as well as designing the installation to fit the clients' needs. At this time, based upon the limited capital resources, Environetics has an interim arrangement for the manufacturing of the pollution control device on a job-shop basis. Environetics has contacted several other sources who have the capability to manufacture the unit and who have agreed to be alternate manufacturing sources.

Environetics' pollution control device is marketed through direct efforts, based out of its Corporate office located in Scottsdale, Arizona.

(a)(1) The Company, continued
(a)(1)(iii) Environetics, continued
(a)(1)(iii)(c) First Year Plan of Operation
(a)(1)(iii)(c)(1) Plan of Operation Prior to Merger - Acquisition

Carrera believed that even after the completion of the offering, it would have insufficient capital with which to provide merger or acquisition candidates with substantial cash or other assets. However, Management believed that Carrera would offer owners of potential merger or acquisition candidates the opportunity to acquire a controlling ownership interest in a public company at substantially less cost than is required to conduct an initial public offering. Further, while target company shareholders would receive "restricted securities" in any merger or acquisition transaction, those restricted securities would represent, if a trading market developed for Carrera's common stock, ownership in a "publicly-traded" as opposed to a "privately-held" company. Management also believed target company shareholders would benefit in obtaining a greater ownership percentage in the company remaining after a merger or acquisition than may be the case in the event a target company offered its shares directly for sale to the public. Nevertheless, the Officers and Directors of Carrera have not conducted market research and are not aware of statistical data which would support the perceived benefits of a merger or acquisition transaction for target company shareholders.

(a)(1)(iii)(c)(2) Plan of Operation After Merger - Acquisition

Management believes that the proceeds from the offering will be sufficient to meet the cash needs of Environetics for a minimum period of one year. This is based upon stage payments for completion of work performed by Environetics, regardless of whether it involves testing, engineering, prefabrication or installation of its pollution control device.

The exact fixed expenditures of Environetics are minimal, based upon its working capital, and revolve principally around rent, literature pertaining to Environetics' pollution control device, costs associated with reporting and the contract for engineering and marketing services performed by its principal shareholder, Alanco Ltd. (See Note 3 of the Notes to Consolidated Financial Statements).

Environetics is currently negotiating with a major U.S. copper smelter, the name of which has to be withheld at this time pursuant to request of that entity, for three separate site installations of Environetics' pollution control device, as well as continued testing of its device for other possible applications.

ITEM 1. BUSINESS, continued
(a) DESCRIPTION OF BUSINESS, continued

(a)(1) The Company, continued
(a)(1)(iii) Environetics, continued
(a)(1)(iii)(c) First Year Plan of Operation, continued
(a)(1)(iii)(c)(2) Plan of Operation After Merger - Acquisition, continued

Environetics intends to investigate many different possible funding sources. Management believes a substantial increase in capital funding and/or financing would allow Environetics to broaden its marketing efforts and thereby increase its visibility in the market place.

Environetics does not currently foresee any material changes or additions as far as research and development, plant and equipment acquisitions or additions in employees for the near future.

(a)(1)(iv) Terra Oil Corporation

In October, 1984, the Company sold its interest in eight oil and gas leases in Osage County, Oklahoma to the lease operator in exchange for a carried oil payment interest in future production. In addition, the Company executed a promissory note in the amount of $208,859 to the operator for unpaid operating expenses and pledged the carried interest as collateral for the promissory note (See Note 6 and 7 of the Notes to the Consolidated Financial Statements).

During fiscal 1988, in settling the unpaid promissory note and accrued interest, the Company wrote-off its investment in the oil and gas interests discussed above. The result of the disposal of these petroleum interests and the promissory note was a net loss of $671,486 (See Note 7 of the Notes to the Consolidated Financial Statements).

In the Company's February, 1988 Form 10-Q, the Company elected to record a contingent liability in the amount of $245,515 which was reflected in the carrying value of these interests predicated on a joint and several judgment rendered against Terra Oil Corporation and six other defendants in a lawsuit filed in United States District Court, Eastern District of California. To what extent the Company can be held liable for all or any portion of this liability at this time is not known.

As the carried interests in oil leases, discussed above, represented the only significant asset of Terra Oil Corporation available to satisfy the judgment, should enforcement be attempted against Terra Oil Corporation, the Company has removed this liability from its balance sheet and now reflects it as a contingent liability (See Note 9b of the Notes to Consolidated Financial Statements).

ITEM 1. BUSINESS, continued

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

(b) (1) The Company

The following table shows the relative contribution to revenues and earnings as well as identifiable assets by industry segment for the three years ended May 31, 1989:

	1989	1988	1987
Revenues:			
Mining and mining services	$ 42,800	$ --	$ 150,231
Petroleum	353	261	420
Corporate and other	43,000	12,417	--
Income (loss) from operations:			
Mining and mining services	$ (118,577)	$ (775,152)	$ (431,360)
Petroleum	353	(671,477)	(7,435)
Corporate and other	(600,392)	(399,204)	(82,610)
Identifiable Assets:			
Mining and mining services	$ 9,850,035	$ 9,968,148	$ 9,309,146
Petroleum	45,098	45,098	976,154
Corporate and other	552,735	888,572	391,734

(b) (2) Environetics

Environetics's sole business revolves around the design, testing, manufacturing and marketing of the pollution control device for which Environetics owns the exclusive rights. At this time there have been no sales or installations of the unit Environetics offers.

	1989	1988	1987
Revenues:	$ --	$ --	$ --
Income (loss) from operations:	$ (554,136)	$ (177,374)	$ --
Identifiable Assets:			
Demonstration equipment	$ 174,191	$ 288,696	$ --
Marketing rights	--	233,021	--
Corporate and other	21,286	19,952	--

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

(b) (1) The Company

The following table shows the relative contribution to revenues and earnings as well as identifiable assets by industry segment for the three years ended May 31, 1989:

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Mining and mining services	$ 42,800	$ --	$ 150,231
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Petroleum	353	(671,477)	(7,435)
Corporate and other	(600,392)	(399,204)	(82,610)
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Revenues:	$ --	$ --	$ --
Income (loss) from operations:	$ (554,136)	$ (177,374)	$ --
Identifiable Assets:			
Demonstration equipment	$ 174,191	$ 288,696	$ --
Marketing rights	--	233,021	--
Corporate and other	21,286	19,952	--

ITEM 1. BUSINESS, continued

(c) NARRATIVE DESCRIPTION OF BUSINESS

(c)(1) The Company

(c)(1)(i) See information set forth in Item 1(a)(1), Item 1(a)(1)(i), Item 1(a)(1)(ii) and Following in Item 1(c)(1).

(c)(1)(ii) Status of a Product or a Segment.

The Company has nothing to report under this caption not previously mentioned or referred to under Item 1(c)(1)(i).

(c)(1)(iii) Raw Materials.

In the past, none of the Company's operations have depended on a supply of raw materials from third parties. The Company has enhanced its precious metal milling and refining ability and anticipates that in the future it will process ore supplied by others. The Company controls properties in the immediate area of the mill that represent a reserve of mineralized material suitable for processing at the milling and refining facility. Therefore, the Company will not be dependent on the availability of suitable materials from others. However, based upon inquiry by Company personnel and the lack of other such facilities in the area, the Company does not believe that it will encounter difficulties in obtaining mineralized materials for processing.

(c)(1)(iv) Patents, Trademarks, Licenses, Franchises and Concessions.

In the last quarter of fiscal 1989, the Company acquired outright ownership of the patents and patents pending which were the subject of the license agreement previously acquired and transferred to the Company's majority-controlled subsidiary Environetics (for a discussion on the patent acquisition transaction, refer to Item 1. Business; (a)(1) The Company). A discussion of these patents and patents pending can be found under section (c)(2)(iv) in the discussion on Environetics. Four additional patent applications were acquired at the same time, however, due to the sensitive nature of their current status management believes it to be in the Company's best interest not to discuss them at this time.

(c)(1)(v) Seasonality of Business.

The Company's business is not seasonal.

(c)(1)(vi) Working Capital Practices.

The Company has nothing to report under this caption.

ITEM 1. BUSINESS, continued

(c) NARRATIVE DESCRIPTION OF BUSINESS, continued
(c)(1) The Company, continued

(c)(1)(vii) Dependence Upon Limited Number of Customers.

The Company has nothing to report under this caption.

(c)(1)(viii) Backlog.

By nature of its operations, the Company does not normally have a backlog of orders.

(c)(1)(ix) Government Contracts.

The Company has nothing to report under this caption.

(c)(1)(x) Competitive Conditions.

Both industry segments in which the Company engages are highly competitive. Management believes that the Company competes with both national and regional mining and petroleum concerns. At such time as it materially expands its operations, the Company may encounter strong competition from other mining companies in connection with the acquisition of mining properties and the recruitment and retention of qualified employees knowledgeable in underground mining operations. Most of the Company's competitors have greater financial and other resources than the Company.

(c)(1)(xi) Research and Development Activities.

The Company has nothing to report under this caption. (See Item 1 (c)(2)(xi) under Environetics)

(c)(1)(xii) Environmental Disclosure.

There are numerous federal and state laws and regulations related to environmental protection which have direct application to mining, milling and mineralized material processing operations. The more significant of these laws deal with mined land reclamation and waste water discharge from such operations. The Company does not believe that these laws and regulations as presently enacted will have a direct material adverse effect on its operations.

ITEM 1. BUSINESS, continued

(c) NARRATIVE DESCRIPTION OF BUSINESS, continued
(c)(1) The Company, continued

(c)(1)(xiii) Number of Employees.

Alanco has 4 full-time employees. The Company suspended operations at the C.O.D. Mine and Tombstone Mill facilities during fiscal 1985 based upon the depressed metal prices until cost-effective changes can be made at those operations. There are no collective bargaining agreements between the Company and any of its employees.

Due to its limited operations, the Company currently is managed by its two executive officers. If the Company were to re-open or expand its operations, it would have to recruit additional management and professional personnel.

(c) (2) Environetics

(c)(2)(i) See information set forth in Item 1(a)(1)(iii) and following.

(c)(2)(ii) Status of a Product or Segment.

Environetics has nothing to report under this caption not previously mentioned or referred to under Item 1(c)(2)(i).

(c)(2)(iii) Raw Materials.

The components being used in the assembly of systems and the materials and parts used to manufacture the pollution control device are purchased from original equipment manufacturers and steel fabricating firms. Environetics has no reason to believe that it cannot continue to obtain and that its job-shop sources cannot continue to obtain such components and supplies or suitable substitutes, as it may require.

(c)(2)(iv) Patents, Trademarks, Licenses, Franchises and Concessions.

On November 12, 1987, Environetics received an Assignment of License from Alanco Ltd., its parent corporation (See Notes 6 and 17 of the Notes to the Consolidated Financial Statements) for the sole and exclusive manufacturing and marketing rights to the Pollution Control Device referred to as the "Ecotech System". Provided that the minimum annual royalty payments are made, this license is good until December 31, 1990, extendible by Environetics for a period of five (5) years provided that all minimum annual royalty payments are made. Environetics received, the right to manufacture and market under United States Patent

(c) NARRATIVE DESCRIPTION OF BUSINESS, continued
(c) (2) Environetics, continued
(c)(2)(iv) Patents, Trademarks, Licenses, Franchises and Concessions, continued

No. 4,220,478, titled "Method For Removing Particulate Matter From A Gas Stream And A Method For Producing A Product Using The Removed Particulate Matter" and United States Patent No. 4,290,786 titled "Apparatus For Removing Particulate Matter From A Gas Stream". Environetics also received the right to the Canadian Patent No. 1,147,275; United Kingdom Patent No. 2,068,267; West German Patent Application Serial No. P 30 03 124.4; and Japanese Patent Application Serial No. 17160/80.

During the fourth quarter reported hereon, The Company acquired outright ownership of these patents and patents pending as well as four other patent applications pending. The Company and Environetics, Inc. have preliminarily agreed to an acquisition by Environetics, Inc. of these patents, subject to the approval of Environetics, Inc. shareholders. As a result of the acquisition of these patents the value of the Marketing Rights has been written to zero (See Item 1. Business, (a)(1) The Company and Notes 6, 12i, 14, 15, and 17).

Environetics believes that the rights to and/or ownership of these patents, patents pending and patent applications are crucial to Environetics' future success as no other system offered in this industry segment has exactly the same operating potential. However, there are many other pollution control devices and systems available in the open market with much greater capital support and proven acceptance.

(c)(2)(v) Seasonality of Business.

Environetics' business is not seasonal.

(c)(2)(vi) Working Capital Practices.

Due to the nature of Environetics' business, it is not possible to carry large inventories nor, to our knowledge, is it a practice in this industry segment. Each system installation has to be engineered to fit the clients' requirements as well as possible limitations on available space thereby negating the need for large inventory.

Environetics offers its services on a fee basis for testing its system at potential client installations.

(c) NARRATIVE DESCRIPTION OF BUSINESS, continued
(c) (2) Environetics, continued
(c) (2) (vi) Working Capital Practices, continued

Environetics does not have sufficient working capital, at this time, to provide for extended payment plans by potential clients. In the future, Environetics intends to negotiate with major credit institutions to see if it is possible to provide a lease-option purchase contract used by similar equipment sellers.

(c) (2) (vii) Dependence on Customer.

Environetics is entering into a business segment which has estimated annual sales in the billions of dollars. The market for the Environetics' pollution control device is literally being legislated by our own government as well as governments of other countries. It is not possible to determine whether or not Environetics will be reliant upon one or a relatively small number of clients. However, due to the nature of the business it is conceivable that this will be true.

Currently, Environetics is involved with one major copper producer located in the United States, however, no sale or agreement to purchase has been executed.

(c) (2) (viii) Backlog.

At May 31, 1989, Environetics did not have any backlog for its services or products.

(c) (2) (ix) Renegotiation or Termination of Contracts or Subcontracts at Government's Election

Environetics has nothing to report under this caption.

(c) (2) (x) Competitive Conditions.

Environetics is in competition with such firms as Research-Cottrell, Inc.; Peabody Precipitator Division, American Air Filter Co.; Chemical Construction Co.; and Western Precipitation to name a few. Competition is based upon both price and and performance considerations. Positive factors pertaining to Environetics' competitive position are that Environetics' equipment has the capability of operating at extremely high temperatures and that there is not a trade off of a gas pollutant for a liquid pollutant as exists with most other systems which should make it more desirable.

ITEM 1. BUSINESS, continued

(c) NARRATIVE DESCRIPTION OF BUSINESS, continued
(c) (2) Environetics, continued

(c)(2)(xi) Research and Development activities.

The Company has not been involved in significant research and development, however, the acquisition of the marketing rights and the test equipment to the patented pollution control device was at a cost, to the Company, of $606,310 and may result in research and development expenditures in the future.

(c)(2)(xii) Environmental Disclosure.

Environetics has nothing to report under this caption.

(c)(2)(xiii) Number of Persons Employed or Contracted

As of May 31, 1989, Environetics has one employee, under contract from Alanco Ltd.

(d) Financial Information about Foreign and Domestic Operations and Export Sales

(d)(1) The Company.

The Company has nothing to report under this caption.

(d)(2) Environetics.

Environetics has nothing to report under this caption.

ITEM 2. PROPERTIES

(a) The Company.

The Company's corporate office is located in approximately 2400 square feet of space in Scottsdale, Arizona under a lease extending to 1990 for which the monthly cost is approximately $2,952.

The Company owns various mineral rights in 14 mining properties in Arizona, Utah and Nevada. Such rights include patented mining claims, unpatented mining claims, unpatented millsite claims and prospecting permits. The Company's interest in these mineral rights ranges from 15% to 100%. The Company's mining properties also include the Tombstone Mill and a mill on the site of the C.O.D. Mine.

ITEM 2. PROPERTIES, continued

(a) The Company, continued

The Company also owns a 1/16 overriding royalty interest in partially developed oil property in Kansas, 0.5% overriding royalty interest in a gas property of approximately 53,000 acres in Lincoln County, New Mexico and a 1/8 working interest in a producing oil well in Pawnee County, Oklahoma. The Company's main properties and its portion of interest in each are shown in the following table:

MAJOR MINERAL LAND HOLDINGS AS OF MAY 31, 1989

MINERAL PROPERTIES	LOCATION	ACREAGE	RECORDED COSTS	OWNERSHIP INTERESTS
C.O.D. Mine	Mohave Cty., AZ	3,500	$4,757,136	89% (1)
Mineral Mountain	Pinal Cty., AZ	960		21.25%
Project		3,700	1,366,353	100%
T.M.R. Claims	Cochise Cty., AZ	8,780	457,412	25% (4)
Whetstone Mountain	Cochise Cty., AZ	1,200		
Project	Pinal Cty., AZ	780	46,584	94%
Zahav	Yavapai Cty., AZ	1,040	214,847	100%
Cottonwood Claims	Santa Cruz Cty., AZ	N/A	825,550	N/A (3)
Cherry Creek	Yavapai Cty., AZ	5,380	598,166	100%
STC Claims	Cochise Cty., AZ	360	220,000	100%

MILLS AND REFINERY				
C.O.D. Mine	Mohave Cty., AZ	105	included above	(1)
Tombstone	Cochise Cty., AZ	20	866,886	100% (2)

(1) Subject to a limited partnership interest of 15 percent before payout and 5 percent after payout.
(2) Part of a joint venture.
(3) This amount represents a production payment receivable which is secured by the property. Because of uncertainty as to whether or not the full amount of the production payment receivable ($2,800,000) will be received, the carrying value equals the original investment in the property.
(4) These claims are the subject of an exploration and development program by West Tombstone Development Limited Partnership and the Company has a 25% limited partnership interest, which represents the ownership interest stated above.

ITEM 2. PROPERTIES, continued

(b) Environetics

Environetics leases its Corporate Offices from Alanco Ltd., and physically co-occupies the premises with them (See Note 15 of the Notes to Consolidated Financial Statements).

Environetics has a test facility located on five acres of land near Tombstone, Arizona which it was granted the right to use by its major shareholder, Alanco Ltd., This facility is currently used as a maintenance and storage facility for the test equipment. There are no monthly lease obligations for the use of this facility, nor does Environetics have any ownership interest, just access to use on an as-needed basis.

ITEM 3. LEGAL PROCEEDINGS

(a) The Company and Environetics.

In the ordinary course of business, the Company is a party to lawsuits or threatened lawsuits. The Company believes that any financial exposure is adequately provided for in its financial statements and/or that these matters will not have a material adverse effect on the financial condition or operating results of the Company. (See Note 9 of the Notes to Consolidated Financial Statements).

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDERS MATTERS.

(a)(1) Market Information

Alanco's common stock is traded Over-The-Counter, on NASDAQ under the symbol "ALAN". The following table shows the high and low bid prices for each fiscal quarter for the last three fiscal years. Such quotations represent inter-dealer prices without retail mark-ups, mark-downs, or commissions and, accordingly, may not represent actual transactions.

	Fiscal 1989		Fiscal 1988		Fiscal 1987	
Quarter Ended	High	Low	High	Low	High	Low
August 31	0.16	0.09	0.28	0.19	0.06	0.03
November 30	0.13	0.06	0.25	0.16	0.06	0.03
February 28	0.09	0.06	0.18	0.09	0.06	0.03
May 31	0.09	0.06	0.20	0.13	0.06	0.03

(a)(2) Security Holders

As of May 31, 1989, Alanco had approximately 3,350 holders of record of its common stock.

(a)(3) Dividend Plans

Alanco had paid no cash dividends and has no current plans to do so, however, the Company has accrued dividends on the preferred stock of $90,000 a year for five years (See Note 11 of Notes to Consolidated Financial Statements).

(a)(4) Preferred Stock

In late 1983, 125,000 shares of Class A redeemable preferred stock were issued. There is no published market for the Company's preferred stock.

ITEM 6. SELECTED FINANCIAL DATA

(a) The Companies

Selected financial Data for the Companies can be found in the Schedule located on page 25. This information includes information for The Company and Environetics on a consolidated basis.

Item 6. Selected Financial Data - (Not Covered by Report of Independent Certified Public Accountants)

	Year Ended May 31				
Selected Income Statement Data:	1989	1988	1987	1986	1985
Operating Revenue	$ 86,153	$ 12,678	$ 150,651	$ 517,078	$ 374,883
Loss before extraordinary item	(965,231)	(1,878,879)	(521,405)	(1,498,213)	(2,098,247)
Extraordinary item (Note A)	246,615	33,046			
Net Loss	$ (718,616)	$ (1,845,833)	$ (521,405)	$ (1,498,213)	$ (2,098,247)
Loss per common share (Note B) before extraordinary item	$ (0.03)	$ (0.06)	$ (0.02)	$ (0.06)	$ (0.09)
Extraordinary item	0.01	0.00	--	--	--
Net Loss	$ (0.02)	$ (0.06)	$ (0.02)	$ (0.06)	$ (0.09)
Weighted average number of shares	38,466,220	31,386,131	24,450,761	24,286,831	23,380,998
Selected Balance Sheet Data:	1989	1988	1987	1986	1985
Current Assets	$ 14,821	$ 6,642	$ 282,302	$ 251,774	$ 277,741
Current Liabilities	2,756,327	2,500,735	2,484,541	2,289,106	2,645,897
Working Capital Deficit	(2,741,506)	(2,494,093)	(2,202,239)	(2,037,332)	(2,368,156)
Total Assets	10,447,868	10,901,818	10,677,034	11,253,981	12,802,387
Long Term Debt	340,000	493,097	1,551	287,098	--
Redeemable Preferred Stock (Note B)	750,000	750,000	750,000	750,000	750,000
Nonredeemable Preferred Stock, Common Stock and other Shareholder's Equity	6,084,294	6,496,616	7,170,942	7,747,777	9,316,490

NOTES TO SELECTED FINANCIAL DATA

Note A: Extraordinary items for the years ended May 31, 1989 and 1988 represents income from forgiveness of debt.

Note B: Losses per share have been calculated based on the loss for the year divided by the weighted average number of shares of common stock outstanding during the periods presented. For the years ended May 31, 1985 through 1989 only the weighted number of shares of common stock issued were used for the calculation because the inclusion of the redeemable preferred, that is also convertible to common stock, would be antidilutive.

NOTE C: This represents the actual investment figure in the Redeemable Preferred Stock and does not include the $90,000 a year accrued dividend for the past four years (See Note 11 of Notes to Consolidated Financial Statements)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

(a)(1) Liquidity and Capital Resources.

Alanco finances its limited operations primarily from internally-generated funds and project financing. The Company also has raised additional working capital from time to time through private equity financing. Alanco has only a limited borrowing capacity and currently has no bank lines of credit or other significant credit commitments from institutional lenders. As of May 31, 1989, the Company's ratio of current assets to current liabilities was 0.054-to-1. Management believes that cash flow from operations will have to be supplemented by debt or equity financing to sustain the liquidity needs of the business.

In 1984, the Company's subsidiary, Terra Oil Corporation, was named as a defendant in a lawsuit filed in the U.S. District Court in California. The plaintiffs in the litigation charged violation of security laws, fraud, negligence and misrepresentation against ten (ten) separate defendants. The actions, that brought on the suit, purportedly occurred between 1979 and 1980 which was prior to the acquisition of Terra Oil Corporation by the Company. On January 21, 1988, a joint and several judgment was entered in the United States District Court, Eastern District of California, against seven (7) defendants, including Terra Oil Corporation, for a total of $245,515 which includes compensatory damages, pre-judgment interest and punitive damages. Management believes, that the effects of this judgment against the Company's assets are limited to the assets of Terra Oil Corporation and whose value has already been fully reserved.

During fiscal 1989, the Company sought venture capital financing with several different entities. Management relied heavily upon the recent heightened public opinion of pollution control problems to interest these entities in varying forms of equity participation in its majority-controlled subsidiary, Environetics. Several entities showed significant interest, however, as of May 31, 1989 no agreements had been reached.

The Company historically has financed the development of its mining properties through sources such as joint ventures and limited partnerships. Typically, under such arrangements, the Company has contributed the property that is to be developed and its co-venturers have furnished the preponderance of the funds required for the development work. Due to the 1986 Tax Reform Act, the use of limited partnership fund's as a source for financing exploration and development costs of mining properties has not been viewed, by management, as an acceptable source. In recent years, the Company has made several attempts to finance (a)(1) Liquidity and Capital Resources, continued

the required capital expenditures for its mining exploration and development through venture capital sources, banks and private companies and individuals. Though most sources have turned the Company down, a few have continued to work with the Company in trying to reach agreeable terms. As of May 31, 1989, no definitive capital financing arrangements have been made.

In August, 1987, the Company purchased assets from Mohave Gold & Silver, Inc., a related party, which consisted of approximately 2,800 acres of unpatented mining claims, adjacent to the Company's C.O.D. Mine, and $500,000. The cash portion of the assets acquired has been partially utilized to fulfill working capital needs of the Company for the year ended May 31, 1988.

In recent years, the Company has disposed of and written-off several mineral properties which were determined by management to lack economic feasibility. The Company, at fiscal year ended May 31, 1989, has capitalized investments of $9,663,258 in mining properties and mining and milling equipment on its books. Recent economic feasibility studies, performed by the Company, have lead management to actively seek project financing and joint venture funding. Either source of capital would allow management to complete the necessary improvements to several of the properties, thereby placing them in operation. The realization of the value of the properties and equipment, in the future, may be dependent upon the Company's ability to realize estimated recoverable mineral reserves from operations.

The recoverability of the value assigned to patents, patents pending, patent applications pending and demonstration equipment, likewise, may be dependent upon the Company's ability to sell pollution control equipment.

As of the last annual report, the Company was in the process of selecting legal counsel to prepare the registration statement for the warrants-rights offering. Counsel was indeed selected and began drafting the registration statement. Prior to its completion, management ceased its preparation primarily due to market conditions which management believed would make the outcome of the offering questionable at this time.

The Company recorded a write-off of certain oil and gas interests, as of May 31, 1988, which resulted in a net loss to the Company of $671,486 which is discussed in Item 1 - (a)(1)(iv) - Terra Oil Corporation.

(a)(1) Liquidity and Capital Resources, continued

The Company's cash needs have primarily been met by funds loaned to the Company by Officers and Directors. However, as a result of the patent acquisition and investment transaction, the Company will receive $400,000 in working capital. As of fiscal year end 1989, Sutton Place, Inc. had only paid $50,000 and was in default on the balance of the monthly payment portion of this transaction and subsequently, a Seattle based real estate company has agreed to pay this obligation to this Company and as of this date has made three of the monthly payments and is currently paid to date.

Subsequent to year end, the Company's subsidiary, Environetics, Inc. has prepared and began the formation of a limited partnership to research and develop the application of the pollution control device in the hot-mix asphalt industry field. Environetics, Inc. has signed an agreement for the installation of a unit on the hot-mix asphalt plant of Asphalt Paving & Supply, Inc. of Prescott Valley, Arizona and contracted with Wilke Welding & Steel Fabrication company of Hutchinson, Kansas for the units manufacturing. Both parties are taking interests in the partnership and the balance of the proceeds should more than adequate to support the research and development being undertaken.

Management believes that with the aid of the Seattle based real estate firm and the completion of the limited partnership by Environetics, Inc. that the Company will have sufficient working capital to carry them through calendar year 1990.

(a)(2) Results of Operations

(a)(2)(a) Fiscal 1989 Compare to Fiscal 1988

In fiscal 1989, the Company's net loss decreased by $1,127,217 (61.1%) over the same period. Of this decrease, 59.6% is directly attributable to the write-off of the oil and gas interests taken in fiscal 1988, 6.5% can be attributed to an increase in income, 17.9% can be attributed to a decrease in direct service expense and the balance of 18.8% can be attributed corporate activities.

General and Administrative expenses increased by $36,085 (5.92%) over the same period last year.

The Company's revenue and income for fiscal 1989 was $86,153, an increase of 679.5% over the same period last year.

(a)(2) Results of Operations, continued
(a)(2)(a) Fiscal 1989 Compare to Fiscal 1988, continued

The principal sources of revenue and income were $43,000 (49.9%) received as compensation for the lease of the Tombstone Milling Facility and $42,800 (49.7%) associated with outside service work performed by the Company for clients. A total of $353 (less than one percent) was attributable to oil and gas revenues.

Direct Service expenses decreased from $356,015 to $153,888 (56.8%) primarily due to the suspension of exploration work at the Company's C.O.D. Mine and the alleviation of maintenance and watchman personnel at the Tombstone Milling Facility due to its recent leasing.

(a)(2)(b) Fiscal 1988 Compared to Fiscal 1987

In fiscal 1988, the Company's net loss increased by $1,339,722 (257%) over the same period last year. Of this increase, the two main constituents were (1) the decision to write-off of its oil and gas interests in Osage County, Oklahoma and (2) an increase in General and Administrative expenses. The write-off the oil and gas interests in Osage County, Oklahoma represents a loss of $671,486 (50.1%) of the increase over last year. The increase in General and Administrative Expenses are attributed to the addition of the Company's majority-owned subsidiary Environetics, Inc. which is consolidated herewith in the Company's financial statements and is currently involved in developing a marketing program for the air pollution control system.

The Company's revenue and income for fiscal 1988 was $45,724, a decrease of 69.6%. Of these revenues $212 (less than 1%) are attributable to oil and gas income and the balance to miscellaneous income from operations. The decrease in revenue and income is a result of the Company providing no mining services in fiscal 1988.

Direct service expenses increased slightly, $72,177 (25.4%). However this increase is not representative of actual increases for services rendered. The majority of the direct service expenses incurred by the Company, in fiscal 1988, were related to maintenance, exploration and development work performed at the Company's C.O.D. Mine.

Loss from operations increased by $1,298,204 (295.9%). Of this loss, $104,927 of the increase (8.1%) is directly related to the decrease in revenues and $671,486 (51.7%) is attributable to the write-off of certain oil and gas interests. Of the balance of the loss, which is $521,791 (40.2%), $489,630 was an increase in General and Administrative Expenses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Consolidated Financial Statements.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Independent Auditors' Report

Board of Directors
Alanco Ltd.

We have audited the accompanying consolidated balance sheet of Alanco Ltd. and subsidiaries as of May 31, 1989, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Alanco Ltd. as of May 31, 1988, and for the years ended May 31, 1988 and 1987, were audited by Dennis, Schmich & Co., Ltd., whose report on those statements dated October 7, 1988, was qualified regarding the uncertainty of the Company's ability to continue in existence, the valuation of certain assets, and the outcome of certain litigation. Effective June 12, 1989, Dennis, Schmich & Co., Ltd. merged with Laventhol & Horwath.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1989 consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Alanco Ltd. and subsidiaries as of May 31, 1989, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

The recovery of inventories of mineral concentrates, the mill and refinery, mining equipment, investments in and advances to partnerships, investments in and advances to unconsolidated subsidiaries, mineral properties, and the investment in oil properties, totalling $10,094,355 depends on the success of the Company's efforts to realize estimated recoverable mineral and oil reserves.

As discussed in Note 9, one of the Company's subsidiaries has been named as defendant in an action alleging a violation of Federal securities law, fraud and negligent misrepresentation. It is not possible at present for the Company to predict the outcome or range of possible loss, if any, that might result from this action. No provision for any liabilities that may result has been made in the accompanying financial statements.

As discussed in Note 17, the Company acquired certain patents, patents pending, and patent application technology for various pollution control equipment and certain pollution control demonstration equipment with a total book value of $298,712. The recoverability of these assets is dependent upon the success of the Company's marketing efforts and its ability to obtain sufficient working capital to finance the production and installation of such pollution control equipment.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 19, the Company has incurred significant operating losses in the past three years and current liabilities exceed current assets by $2,741,506 which raises doubts about its ability to continue in existence. The Company's continued existence is dependent upon its ability to generate cash flow from operations or to obtain debt or equity financing. Management's plans about these matters also are described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In connection with our audit of the 1989 financial statements referred to above, we audited the 1989 financial statement schedules listed under Item 14. In our opinion, these financial statement schedules present fairly, in all material respects, the information stated therein, when considered in relation to the financial statements taken as a whole.

Laventhol & Horwath

LAVENTHOL & HORWATH

Phoenix, Arizona
February 27, 1990

<u>Independent Auditors' Report</u>

Board of Directors
Alanco Ltd.

We have examined the consolidated balance sheet of Alanco Ltd. and subsidiaries as of May 31, 1988, and the related consolidated statements of operations, shareholders' equity and cash flows for the years ended May 31, 1988 and 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company has incurred significant operating losses in the past two years and has reduced its level of operations. Certain economic events have resulted in write-downs in the book value of certain assets as discussed in Note 7. As shown in the consolidated statements of operations, the Company incurred net losses of $1,845,833 and $521,405, for the years ended May 31, 1988 and 1987, respectively. As of May 31, 1988, the Company's current liabilities exceeded its current assets by $2,494,093. These factors indicate that the Company may be unable to continue in existence. The Company's continued existence is dependent upon its ability to supplement cash flow from operations by debt or equity financing. The consolidated financial statements do not include any adjustment relating to the recoverability and classification of assets and the classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company has capitalized certain investments in mining properties, oil properties, and partnerships and certain demonstration equipment and marketing rights aggregating $10,816,793 whose value are dependent upon the success of Company efforts to realize estimated recoverable mineral and oil reserves.

As discussed in Note 9, one of the Company's subsidiaries has been named as defendant in an action alleging a violation of Federal securities law, fraud and negligent misrepresentation. It is not possible at present for the Company to predict the outcome or the range of potential loss, if any, that might result from this action. No provisions for any liability that may result has been made in the accompanying financial statements.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in paragraphs two, three and four been known, the consolidated financial statements referred to above present fairly the financial position of Alanco Ltd. and subsidiaries as of May 31, 1988 and the results of their operations and their cash flows for the years ended May 31, 1988 and 1987 in conformity with generally accepted accounting principles applied on a consistent basis.

In connection with our audits of the 1988 and 1987 financial statements referred to above, we examined the 1988 and 1987 financial statement schedules listed under Item 14. In our opinion, these financial statement schedules present fairly, in all material respects, the information stated therein, when considered in relation to the financial statements taken as a whole.

Dennis, Schmich & Co., Ltd.
by C. E. Hennessen

DENNIS, SCHMICH & CO., LTD.
Certified Public Accountants

Phoenix, Arizona
October 7, 1988

ALANCO LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MAY 31, 1989 AND 1988

ASSETS

ASSETS

	1989	1988
Current Assets:		
Cash	$ 126	$ 3,741
Accounts receivable	14,540	2,540
Prepaid expenses	155	361
Total current assets	14,821	6,642
Property, plant and equipment (Notes 6, 8 and 10):		
Furniture and equipment	79,222	70,340
Mill and refinery	866,886	866,886
Vehicles	14,954	14,954
Mining equipment	918,258	918,258
	1,879,320	1,870,438
Less accumulated depreciation	697,211	590,365
	1,182,109	1,280,073
Other assets		
Patents, patents pending and patent application technology (Notes 12i, 15 and 17c)	124,521	--
Investments in and advances to partnerships (Notes 3, 4, 8, and 9)	645,633	790,080
Investments in and advances to unconsolidated subsidiary at equity (Notes 9 and 14)	19,338	14,251
Undeveloped leases, at cost	7,598	7,598
Mineral properties, at cost (Notes 3, 4, 6, 7, 8, 9, and 12)	8,060,205	8,067,705
Inventories of mineral concentrates	157,218	157,218
Investment in oil property	37,500	37,500
Investment in and advances to unconsolidated subsidiary at cost (Note 16)	21,223	15,382
Demonstration equipment, less accumulated amortization of $172,842 for 1989 and $56,905 for 1988 (Notes 6, 14, 15 and 17b)	174,191	288,696
Marketing rights - prepaid royalty expense, less accumulated amortization of $33,289 for 1988 (Notes 6, 14, 15, 17a)	--	233,021
Other	3,511	3,652
	9,250,938	9,615,103
	$ 10,447,868	$ 10,901,818

LIABILITIES AND SHAREHOLD EQUITY

	1989	1988
Current liabilities:		
Note payable, bank, short-term	$ --	$ 50,(
Notes payable, shareholders (Note 3)	545,138	437,(
Current maturities of notes, royalties, and contracts payable (Note 3, 6, 14 and 17)	575,534	663,7
Accrued payroll taxes	80,702	63,7
Accounts payable	393,582	494,1
Billings in excess of cost (Note 3, 4 and 8)	234,750	268,7
Accrued expenses	352,499	203,7
Accrued expenses - related parties	178,151	157,3
Advances from officers and directors (Note 3)	395,971	162,2
Total current liabilities	2,756,327	2,500,7
Long-term liabilities less current maturities (Notes 6, 14 and 17)	340,000	493,0
Total Liabilities	3,096,327	2,993,8
Commitments and contingencies (Notes 9 and 13)		
Minority interest in consolidated subsidiary (Note 15)	67,247	301,3
	67,247	301,3
Redeemable preferred stock, Class A, (Note 11): 12% cumulative, voting, convertible, authorized 5,000,000 shares at May 31, 1989 and 1988, issued and outstanding 125,000 for both periods	750,000	750,0
Cumulative dividends	450,000	360,0
	1,200,000	1,110,0
Shareholders' equity (Notes 11 and 12):		
Preferred stock, Class B, cumulative, voting, 20,000,000 shares authorized for both periods and none issued	--	--
Common stock, no par value, authorized 250,000,000 shares for both periods, issued and outstanding, 48,548,549 at May 31, 1989 and 36,498,549 at May 31, 1988	18,293,753	17,778,7
Common stock subscriptions receivable	(400,000)	(191,2
Accumulated deficit	(11,809,459)	(11,090,8
	6,084,294	6,496,6
	$ 10,447,868	$ 10,901,8

See notes to consolidated financial statements.

ALANCO LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MAY 31, 1989, 1988 AND 1987

	1989	1988	1987
Revenues (Notes 3, 4 and 8):			
Related parties	$ 34,000	$ --	$ 150,214
All other	52,153	12,678	437
	86,153	12,678	150,651
Operating expense:			
Direct Service	153,888	356,015	283,838
General and Administrative	645,265	609,180	265,592
Adjustment of oil and mineral reserves (Note 7)	--	--	40,016
Write-off of royalty interest in producing oil properties (Note 7)	--	671,486	--
Write-off of advances to partnerships	144,447	--	--
Write-off of marketing rights (Notes 6, 15 and 17)	194,184	--	--
	1,137,784	1,636,681	589,446
Loss from operations	(1,051,631)	(1,624,003)	(438,795)
Other income and (expense):			
Interest income	138	4,044	--
Interest expense	(147,861)	(128,415)	(121,218)
Recovery of bad debt	--	--	38,608
Gain on sale of asset	--	14,000	--
Loss on settlement of contract dispute (Note 12b)	--	(92,500)	
Minority interest in net loss of consolidated subsidiary (Note 15)	234,123	74,940	--
Adjustment to underlying equity of consolidated subsidiary		(126,945)	--
	86,400	(254,876)	(82,610)
Loss before extraordinary item	(965,231)	(1,878,879)	(521,405)
Extraordinary items:			
Forgiveness of debt (Note 12c and 17c)	246,615	33,046	--
Net loss	$ (718,616)	$ (1,845,833)	$ (521,405)
Net loss per share of common stock:			
Before extraordinary item	(0.03)	(0.06)	(0.02)
Extraordinary item	0.01	0.00	--
Net loss per share of common stock	$ (0.02)	$ (0.06)	$ (0.02)

See notes to consolidated financial statements.

ALANCO LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MAY 31, 1989, 1988 AND 1987

	Common Stock				
	Shares	Amount	Subscriptions Receivable	Accumulated Deficit	TOTAL
Balances, May 31, 1986	24,433,081	$ 16,471,382	$ --	$ (8,723,605)	$ 7,747,777
Issued for mining claims (Note 12a)	230,468	34,570			34,570
Net loss				(521,405)	(521,405)
Dividend accrued on redeemable preferred stock (Note 11)		(90,000)			(90,000)
Balances, May 31, 1987	24,663,549	16,415,952	--	(9,245,010)	7,170,942
Issued for contract settlement (Note 12b)	925,000	92,500			92,500
Issued as partial settlement of note payable (Note 12c)	250,000	25,000			25,000
Issued for cash and mining claims (Note 12d)	10,000,000	1,259,622	(191,294)		1,068,328
Issued for services (Note 12e)	60,000	6,000			6,000
Issued as partial settlement of trade payable (Note 12f)	600,000	69,679			69,679
Net loss				(1,845,833)	(1,845,833)
Dividend accrued on redeemable preferred stock (Note 11)		(90,000)			(90,000)
Balances, May 31, 1988	36,498,549	17,778,753	(191,294)	(11,090,843)	6,496,616
Issued as partial settlement of trade payables (Note 12g and 12h)	1,050,000	105,000			105,000
Collection of subscriptions receivable (Note 12d)			191,294		191,294
Issued for patents, patents pending and patent applications (Note 12i)	12,000,000	500,000	(400,000)		100,000
Net loss				(718,616)	(718,616)
Dividend accrued on redeemable preferred stock (Note 11)		(90,000)			(90,000)
Balances, May 31, 1989	49,548,549	$ 18,293,753	$ (400,000)	$ (11,809,459)	$ 6,084,294

See notes to consolidated financial statements.

ALANCO LTD. SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 1989, 1988 AND 1987

	1989	1988	1987
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$ (718,616)	$ (1,845,833)	$ (521,405)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	269,261	203,955	110,622
Gain on sale of assets	--	(14,000)	--
Loss on settlement of contract dispute	--	92,500	--
Income from forgiveness of debt	(246,615)	(33,046)	--
Stock issued for services	--	6,000	--
Minority interest in net loss of consolidated subsidiary	(234,123)	(74,940)	--
Write-off of royalty interest in producing oil properties	--	671,486	--
Loss on revaluation of oil and mineral properties	--	--	40,016
Write-off of marketing rights	194,184	--	--
Write-off advances to partnerships	144,447	--	--
(Increase) Decrease in assets:			
Prepaid expenses	206	(361)	--
Accounts receivable	(12,000)	73,176	(40,371)
Other assets		(2,427)	(51)
Increase (Decrease) in liabilities:			
Accounts payable	79,429	(48,657)	18,881
Billing in excess of costs	(34,000)	--	(12,770)
Advances from officers and directors	233,746	142,144	41,770
Accrued liabilities	180,414	144,529	112,956
Total adjustments	574,949	1,160,359	271,053
Net cash (used in) operating activities	(143,667)	(685,474)	(250,352)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(8,882)	(34,476)	(953)
Proceeds from sale of property, plant and equipment	--	14,000	--
Additions to demonstration equipment	(1,432)	(5,601)	--
Advances to unconsolidated subsidiary	(10,928)	(19,883)	(9,750)
Advances to partnership	--	(1,878)	--
Net cash (used in) investing activities	(21,242)	(47,838)	(10,703)

See notes to consolidated financial statements.

ALANCO LTD. SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
YEARS ENDED MAY 31, 1989, 1988 AND 1987

	1989	1988	1987
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	30,000	88,599	248,800
Payments on borrowings	(60,000)	(37,890)	(588)
Formation of minority interest in consolidated subsidiary	--	376,310	--
Stock subscriptions collected	191,294	308,706	--
Net cash provided by financing activities	161,294	735,725	248,212
(DECREASE) INCREASE IN CASH	(3,615)	2,413	(12,843)
CASH AT BEGINNING OF PERIOD	3,741	1,328	14,171
CASH AT END OF PERIOD	$ 126	$ 3,741	$ 1,328

Supplemental disclosure of non-cash investing and financing activities:

	1989	1988	1987
Issuance of capital stock for:			
Settlement of contract dispute	--	92,500	--
Partial settlement of note payable	--	25,000	--
Mineral properties	--	759,622	34,570
Stock subscriptions receivable	400,000	500,000	--
Services rendered	--	6,000	--
Settlement of accounts payable	105,000	69,679	--
Patents and patents pending	100,000	--	--
Issuance of notes payable for:			
Acquisition of demonstration equipment	--	340,000	--
Acquisition of marketing rights	--	266,310	--
Exchange of 3,500,000 shares of Environetics, Inc. for patents pending	24,521	--	--
During 1988 the Company wrote-off its 15% royalty interest in producing oil properties summarized as follows:			
Write-off royalty interest	--	931,056	--
Settlement of note payable	--	208,859	--
Settlement of accrued interest	--	50,711	--
Loss on write-off	--	671,486	--
During 1987 the Company entered into a transaction resulting in the following:			
Acquisition of partnership interest	--	--	401,000
Relief of note payable	--	--	283,200
Relief of Accrued interest	--	--	26,743
Relief of amounts due directors	--	--	49,219
Write-off of mineral properties	--	--	760,162

See notes to consolidated financial statements.

Note 1 - Activity:

Alanco Ltd.'s (Alanco) principal activities for the past several years has been on diversification. Historically, Alanco was involved in the acquisition of mineral and oil and gas properties in the Southwestern United States, which included the operation of two precious metals milling facilities and a refining plant, located near Tombstone Arizona and operated through a joint venture.

Note 2 - Summary of significant accounting policies and principles of consolidation:

a. Principles of consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries: Alanco Service Industries, Inc.; Newbery Resources, Inc.; Charter Mining Corporation; Whetstone Mining Co., Inc.; Terra Oil Corp.; Remy Resources U.S.A., Inc.; C.O.D. Mine, Inc. and Alanco Natural Resource Company., Inc., and the accounts of the 38.3% (See Note 15) owned subsidiary Environetics, Inc. All significant intercompany accounts and transactions have been eliminated.

b. Property, plant and equipment:

Property, plant and equipment, including amounts for capitalized leases, are stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets which range from 3-32 years. The costs of improvements, which substantially extend the useful life of a particular asset, are capitalized. Repair and maintenance costs are charged to expense.

c. Inventories of mineral concentrates:

Inventories are stated at estimated fair market value less processing and delivery costs.

d. Service income recognition:

Mining claim service revenues are recorded as earned. In the case of long-term contractual projects, generally greater than one year in duration, the Company uses the percentage-of-completion method. Under this method, billings in excess of costs and earnings are recognized as a liability and costs and earnings in excess of billings are recognized as an asset (see Note 4).

Note 2 - Summary of significant accounting policies and principles of consolidation (continued):

e. Net loss per share:

Net loss per share has been calculated based on net losses for the periods divided by the weighted average number of shares of common stock outstanding during the periods presented. The weighted average number of shares of common stock outstanding totaled 38,466,220 for 1989; 31,386,131 for 1988 and 24,450,761 for 1987. The convertible preferred stock was not used in the calculation of weighted average number of common shares as its inclusion would be antidilutive.

f. Change in basis of presentation:

To comply with Statement of Financial Accounting Standards No. 95, the 1988 and 1987 statements of changes in financial position have been replaced by statements of cash flows.

Note 3 - Related party transactions (also see Notes 4, 6, 8, 9, 10, 11, 12, 14, 15, 16, 17 and 18):

Major shareholders and officers control 16.7 percent of Arizona Refining and Metallurgical Company, which owed the Company $83,162 as of May 31, 1989 and 1988.

International Minerals and Metals, Inc. (IMM) owned the equivalent of 5.7 percent of the Company as of May 31, 1989. The Company performs mining services for IMM on the Tombstone Mining Claims and other projects that IMM owns (See Note 4).

As of May 31, 1987, the Company, IMM, Inter Alia Holding Company, Philip Lynch and West Tombstone Development Limited Partnership ("West Tombstone") entered into an agreement that resulted in Alanco having a 25% limited partnership interest, recorded at $457,412 at May 31, 1989 and 1988, in West Tombstone. The agreement provided for the following:

A. Alanco's contribution of its interest in the T.M.R. Claims which had a book value of $450,219.
B. Replacement of Charter Mining Corporation as general partner of West Tombstone by Philip Lynch.
C. Transfer of certain bank debt totaling $283,200 plus accrued interest from Alanco.
D. Indemnification and relief of Alanco's guarantee of certain bank debt totaling $400,000.
E. Offset of advances to West Tombstone and amounts due from Alanco to the other parties, involved in this transaction.
F. Alanco agreed to provide assessment work on the subject mining claims and has recorded $68,000 as deferred income to perform the assessments for two years.

Note 3 - Related party transactions (also see Notes 4, 6, 8, 9, 10, 11, 12, 14, 15, 16, 17 and 18) (continued):

This transaction did not result in a gain or loss to the Company other than the future recognition of the deferred assessment revenue as this work is completed.

Charter Mining Corporation is the general partner for COD '82 Ltd. (COD), Resource Exploration 84 Limited Partnership (RE 84) and Resources Exploration 83 Limited Partnership (RE 83) (see Note 4). Officers and Directors of the Company controlled 20.9% of COD, 4.3% of RE 83 and none of RE 84. The Company has advanced $103,616 to the COD partnership as of May 31, 1989 and 1988.

As of May 31, 1986, River Capital Corporation (River), a major shareholder, had loaned the Company $169,000, of which $50,000 is due in quarterly payments of $3,125 commencing October 1, 1989, with interest payable quarterly at the rate of sixteen percent (16%) per annum. The balance of the loans are demand promissory notes with interest payable at the rate of from fourteen to sixteen percent (14-16%) per annum on $119,000 of loans.

In July, 1986, the Company and River entered into the Supplemental Investment Agreement. The agreement converted all previous demand promissory notes into two loans totaling $244,000, which are subordinated promissory notes and are part of that Supplemental Investment Agreement. The first note is in the principal amount of $76,000 and shall be paid in quarterly installments of $4,750 commencing on October 1, 1989 with interest payable on a quarterly basis at the rate of sixteen percent (16%) per annum. The second note is in the principal amount of $168,000 and shall be paid in quarterly installments of $10,500 commencing on October 1, 1989 with interest payable on a quarterly basis at the rate of fourteen percent (14%) per annum. Interest due on these loans is in default at May 31, 1989 and 1988.

As part of the Supplemental Investment Agreement, River was issued warrants for the purchase of a total of 1,652,000 shares of Alanco unissued common stock at the rate of $.50 per share and 672,000 shares of Alanco unissued common stock at the rate of $.25 per share. The warrants expire July 1, 1995. These warrants were later amended as part of an additional loan to the Company, wherein River would have the right to purchase a total of 6,626,667 shares of Alanco unissued common stock at the rate of $0.15 per share.

On February 21, 1987, the Company entered into a security agreement with River to provide additional loans totaling $100,000. This transaction amended the warrants issued under the Supplemental Investment Agreement of July, 1986. The loan

Note 3 - Related party transactions (also see Notes 4, 6, 8, 9, 10, 11, 12, 14, 15, 16, 17 and 18) (continued):

provisions also provided for the creation of a security interest in the equipment at the C.O.D. Mine and the creation of a security interest in the C.O.D. Mine. Principal and interest is callable any time after one year from the date of execution. Interest is payable at the rate of 2% over the prime rate.

During fiscal years 1987 and 1988 River loaned the Company additional funds totaling $160,300 on a demand basis, that bear interest at the rate of 2% over the prime rate. As of May 31, 1989, the Company has paid $29,300 to River on the loans. The total amount of notes due River from the Company is $388,039, which includes $13,039 of previously accrued interest converted into a note. Interest expense for 1989, 1988 and 1987 amounted to $49,898, $54,975 and $48,710, respectively, and accrued interest totalled $153,583 at May 31, 1989 and $103,685 at May 31, 1988.

River owns 100% of the Class A redeemable preferred stock (See Note 11) and 3.7% of the common stock of the Company.

During fiscal 1988, the Company acquired 2,800 acres of mineral claims and $500,000 in subscriptions receivable from Mohave Gold & Silver, Inc., a related party in exchange for 10,000,000 shares of Alanco Ltd. common stock. The Chairman and a former officer owned 6% of the outstanding stock of Mohave Gold & Silver, Inc (See Note 12d).

During fiscal 1989, the Company pledged 4,000,000 shares of its Environetics, Inc. ownership position to Richard C. Jones, Chairman of the Board, as collateral for advances to the Company.

Note 4 - Contracts in process:

Alanco entered into a service contract with Resource Exploration 83 Limited Partnership, a related party. The contract totaled $375,000 of which $200,750 had been received as of May 31, 1987. No services have been provided at May 31, 1989. The balance received on this contract is reported as billings in excess of costs.

As part of a related party transaction (See Note 3), the Company had recorded $68,000 as deferred income to perform the annual assessment work on mining claims owned by West Tombstone Development Limited Partnership. The work to be performed covered two assessment years and as of May 31, 1989 the Company had performed the first year's assessment work and realized $34,000 of this amount as income.

Note 5 - Income taxes:

There are no income taxes payable as a result of net operating losses in the years ended May 31, 1989, 1988 and 1987.

The Company has book operating loss carryforwards available in future periods which expire as follows:

May 31, 1998	$ 294,826
May 31, 1999	4,215,145
May 31, 2000	2,098,247
May 31, 2001	1,498,213
May 31, 2002	521,405
May 31, 2003	1,845,833
May 31, 2004	718,616
	$ 11,192,285

Note 6 - Long-term liabilities:

A schedule of current and long-term notes, royalties, and contracts payable is as follows:

	May 31, 1989		May 31, 1988	
	Current	Long-Term	Current	Long-Term
Contract to Ecotech Corp., a related party, for inventory and equipment, due November 1992, with interest due quarterly at 10% per annum, interest delinquent.	--	340,000	--	340,000
Contract to provide 56,496 oz. of silver over 20 months commencing November, 1983 of which $116,000 is due to related parties, delinquent.	564,960	--	564,960	--
Equipment note due in 36 monthly payments of $262 including interest at 21 3/4% per annum, collateralized by office equipment, due September 1988, delinquent.	5,574	--	5,574	--

Note 6 - Long-term liabilities (continued):

	May 31, 1989		May 31, 1988	
	Current	Long-Term	Current	Long-Term
Royalty payment on License due to owner of patents, payable at $94,000 each June for three years, includes interest imputed at 10% per annum. (See Note 15, 17 & 18)	--	--	88,213	153,097
Note payable, other	5,000	--	5,000	--
	$ 575,534	$ 340,000	$ 663,747	$ 493,097

The following is a schedule of maturities of debt:

Year Ending May 31, 1990	$ 575,534
Year Ending May 31, 1993	340,000
	$ 915,534

Note 7 - Revaluation of oil and mineral reserves:

On October 1, 1984 the Board of Directors of the Company approved the exchange of its 75% working interest in its producing oil and gas wells in the "Golden Prospect" field for a 15% production payment until the sum of $4,750,000 has been received. The Company retained its overriding royalties on the property.

During fiscal year 1988, the Company wrote-off its investment in the oil and gas lease interests referenced above and settled a note payable to the operator in the amount of $208,859, plus accrued interest. This represents a net loss on write-off of interests in the amount $671,486.

During the year ended May 31, 1987, the Company recorded a write-down of $40,016, on a mineral property where future development prospects were determined to lack economic feasibility.

Note 8 - Sales to major customers and major components of revenues:

During fiscal year 1989, the major portion of income was received from two sources.

The first source was $34,000 recognized from West Tombstone Development Limited Partnership for assessment work performed by the Company on mining claims owned by that partnership. This income had previously been recorded by the Company as deferred income (See Note 3).

The second source was $43,000 due from Computerized Trading Services International, Inc., a Seattle based company, that leased the Company's mill and refinery located near Tombstone, Arizona (See Note 10). As of May 31, 1989 the Company had received $31,000 and $12,000 was included in accounts receivable.

The Company had no major income sources during fiscal year 1988. In fiscal 1987, the only major income source was West Tombstone Development Limited Partnership in the amount of $150,214 for service work performed on the partnership's mining claims.

Note 9 - Commitments and contingencies:

(a) The Company's interest in the C.O.D. Mine includes the requirement to make certain royalty payments in the following amounts:

Due in the year ending,	
May 31, 1990	$ 9,600
May 31, 1991	9,600
May 31, 1992	9,600
May 31, 1993	9,600
May 31, 1994	9,600
Thereafter	139,867
	$ 187,867

Beginning in 1991, the Company has the option to acquire full ownership of these leases by prepayment of the balance, if any, remaining under the minimum royalty payment schedules above.

(b) The Company, through its subsidiary Terra Oil Corp., was named as a defendant in a lawsuit filed in U.S. District Court in California. The plaintiffs in the litigation charged violation of security laws, fraud, negligence and misrepresentation against ten (10) separate defendants. Such actions by the defendants purportedly occurred between 1979 and 1980 which was prior to the acquisition of Terra Oil Corporation by the Company. On January

Note 9 - Commitments and contingencies (continued):

21, 1988, a joint and several judgment was entered in the United States District Court, Eastern District of California, against seven (7) of the defendants, including Terra Oil Corporation, for a total of $245,515, which includes compensatory damages, pre-judgment interest and punitive damages. Terra Oil Corporation has no substantial remaining assets against which the judgment can be enforced and to what extent Alanco Ltd. can be held liable for all or any portion of this liability is not known.

(c) The Company, through subsidiaries, acts as general partner in several limited partnerships. As the Company exerts significant control over operations of these partnerships the investments have been accounted for on the equity method. As general partner, the Company could be subject to unlimited liability for the obligations and actions of the partnerships.

Note 10 - Mill and refinery:

In February 1989, the Company leased the Mill Facility to Computerized Trading Services International, Inc., a Seattle based company. The lease is a one year lease with an option to purchase the facility during that year for $1,200,000. Provisions in the lease called for an initial payment, upon execution, of $25,000, which was received, and monthly payments during the term of the lease of $6,000. As of May 31, 1989 the Company had received a total of $31,000 and the monthly payments were in arrears.

Note 11 - Redeemable preferred stock:

On November 18, 1983 the Company, under an investment agreement dated November 1, 1983, issued 83,333 shares of Class A Cumulative Convertible Preferred Stock of Alanco Ltd. to River Capital Corporation (River). River purchased an additional 41,667 of the Class A Preferred Shares on December 18, 1983. The total purchase price of the 125,000 Preferred shares was $750,000. The Preferred shares are convertible into 500,000 shares of common stock. The Preferred shares have a preferred dividend rate of $.72 per share per annum.

Upon River's election, redemption shall commence on June 1, 1991 at the rate of 25,000 preferred shares per year for a five (5) year period. The redemption price shall equal the original investment plus accrued dividends pertaining to the shares to be redeemed.

The following is a schedule of the redemption of the preferred shares if the election is made, and the total due is the principal of $750,000 and accrued but unpaid dividends of $900,000:

Note 11 - Redeemable preferred stock (continued):

For the Year ending	
May 31, 1992	$ 294,000
May 31, 1993	312,000
May 31, 1994	330,000
May 31, 1995	348,000
May 31, 1996	366,000
	$ 1,650,000

The Company is in arrears, in the amount of $450,000 for dividends unpaid as of May 31, 1989.

The Company has recorded $450,000 as of May 31, 1989; $360,000 as of May 31, 1988 and $270,000 as of May 31, 1987 to the account of the Class A Preferred shares for cumulative dividends not yet paid. These have been offset by a reduction in the common stock capital account due to the deficit in retained earnings.

Note 12 - Common stock transactions:

(a) In May, 1987, the Company issued 230,468 shares of its unissued common stock for certain mining claims in the area of Mesquite, Nevada. The shares were valued at $.15 per share and were based upon the funds advanced to test the mining claims. Persons affiliated with Alanco received 137,134 of the shares.

(b) In August, 1987, the Company issued 925,000 shares of its unissued common stock to unrelated parties as a result of a contract dispute regarding the registration of certain stock on the purchase of a mineral property interest and the assumption by the unrelated parties of certain outstanding payables. The Company realized a loss of $92,500 from the above transaction.

(c) In August, 1987, the Company issued 250,000 shares of its unissued common stock to unrelated parties as partial settlement of an outstanding note payable with accrued interest. This transaction involved the payment of the note payable to Aluminum Filter Company Employee Stock Ownership Trust in the amount of $77,347 plus interest. The Company realized a gain of $16,807 on the forgiveness of debt.

(d) In August 1987, the Company authorized the issuance of 10,000,000 shares of its unissued common stock in exchange for $500,000 subscriptions receivable and 2,800 acres of mining claims adjoining the Company's interest in the C.O.D. Mine. These shares were issued in November, 1987. The agreement is between the Company and Mohave Gold & Silver, Inc., a related party. As

Note 12 - Common stock transactions (continued):

of May 31, 1988, $191,294 of the subscription was receivable and all of the other assets had been transferred. As of May 31, 1989 all of the subscriptions receivable has been received in cash.

(e) In November, 1987, the Company issued 60,000 shares of its unissued common stock to three former members of the Board of Directors in consideration for services they had performed.

(f) In February, 1988, the Company issued 600,000 shares of its unissued common stock to a former officer as partial settlement for services rendered to the Company in the past.

(g) In July, 1988, the Company issued 750,000 shares of its unissued common stock to a former director as partial payment for services rendered to the Company in the past.

(h) In August, 1988, the Company issued 300,000 shares of its unissued common stock to its former accounting firm, that performed the day-to-day bookkeeping and accounting tasks, as partial payment for services rendered to the Company in the past.

(i) In April, 1989, the Company issued 12,000,0000 shares of its unissued common stock to Sutton Place, Inc., an unrelated party, for the acquisition of patents, patents pending and patent application technology in the environmental control field as well as a subscription receivable from Sutton Place, Inc. in the amount of $400,000 (See Notes 15, 17 and 18).

Note 13 - Leases:

The Company leases its corporate office in Scottsdale, Arizona at a cost of $2,925 per month. This lease is considered an operating lease and terminates in December, 1990. Rent expense totaled $33,342, $25,217, and $21,750, for the years ended May 31, 1989, 1988, and 1987 respectively, with sub-lease rentals of $2,380 for May 31, 1989 and $1,153 for May 31, 1988.

Future minimum lease payments total $36,852 for fiscal year ending May 31, 1990 and $19,302 for fiscal year ending May 31, 1991, which totals $56,154.

Note 14 - Investment in and advances to unconsolidated subsidiary at equity:

The Company owned 40.4% of the outstanding stock of Ecotech Corporation as of May 31, 1989. Ecotech Corporation has had little or no operations over the past three years other than attempts to dispose of its major assets to third parties which were unsuccessful.

Note 14 - Investment in and advances to unconsolidated subsidiary at equity (continued):

In November, 1987, Ecotech entered into an agreement with the Company, whereby the Company acquired Ecotech's marketing and manufacturing license (See Note 17) to the Ecotech pollution control system for the assumption of the annual license royalty and further acquired the demonstration equipment, at Ecotech's cost of $340,000 on a note due to Ecotech in five years, with interest payments of 10% per annum payable quarterly, interest is in default (See Note 6).

Note 15 - Acquisition of consolidated subsidiary:

Environetics, Inc., a Nevada corporation was incorporated as a 99% owned subsidiary of Alanco under the laws of the State of Nevada on October 16, 1987, whose principal assets were the marketing and manufacturing rights to a patented air pollution control system and certain demonstration equipment (See Note 17).

Carrera Capital Corporation ("Carrera") was organized under the laws of the State of Colorado on February 26, 1987, for the primary purpose of seeking selected merger or acquisition candidates. The primary activity of Carrera had been directed to organizational efforts and obtaining initial financing.

The initial financing raised by Carrera was through the sale of its securities pursuant to the registration statement on file with the Securities and Exchange Commission.

The securities of Carrera pursuant to the Registration Statement, were 3,000,000 shares of common stock with 3,000,000 warrants to purchase an additional 3,000,000 shares, and were registered as units. The effective date of the Registration Statement was July 8, 1987 and Carrera raised $300,000, $0.10 per unit, and closed the offering, as completed in full, on October 20, 1987.

Through a plan of reorganization entered into on December 28, 1987 and closed on December 31, 1987, the Company acquired 13,394,181 shares of the authorized but unissued shares of Carrera Capital Corporation, in exchange for the Company's 99% ownership position of Environetics, Inc., a Nevada corporation. The shares received represented approximately 75% of the resulting outstanding shares of that corporation.

Subsequent to the closing, the Company issued shares from those it received as commissions to unrelated parties who aided in the merger-acquisition which resulted in the Company's ownership being 57.8% of the outstanding shares of Carrera as of May 31, 1988.

Note 15 - Acquisition of consolidated subsidiary (continued):

Carrera Capital Corporation at a meeting of the shareholders held on January 25, 1988 elected to change its name to Environetics, Inc., a Colorado corporation.

The 3,000,000 warrants to purchase additional shares of Environetics, Inc. are currently outstanding at an exercise price of $0.50 per share and expire on January 8, 1991. In the event that these warrants are exercised prior to the expiration date the Company would suffer dilution of its ownership position. The maximum dilution the Company could suffer would be a decrease in ownership of 5.5%.

During fiscal year 1989, the Company acquired certain patent, patent pending and patent application technology from Sutton Place, Inc. for shares of the Company's common stock valued at $100,000 and shares owned by the Company in Environetics, Inc. valued at $24,521. As a result of this transaction the Company's ownership position has been reduced from 57.8% to 38.3% as of May 31, 1989. Since Alanco Ltd. continues to maintain a controlling financial interest through direct or indirect ownership of a majority voting interest and upon completion of the transfer of the patent technology to Environetics, Inc. the Company will own approximately 69% of Environetics, Inc., the Company has continued to consolidate Environetics, Inc. as previously reported.

Note 16 - Investment in unconsolidated subsidiary at cost:

On January 15, 1988, the Company entered into a contract with U.S. Sourcing Services, Inc., whereby the Company would help U.S. Sourcing Services, Inc. in their start-up operations. U.S. Sourcing Services, Inc. provides its clients with expertise in purchasing for a percentage of the savings. The Company provides office space, telephones, secretarial services, facsimile and copier use at no cost for a period of three months along with working capital of $5,000 per month for three months. In exchange the Company earns a 4.17% interest in U.S. Sourcing for each month that these services and working capital are supplied.

At May 31, 1989 the Company's investment in U.S. Sourcing Services was $21,223, representing a 17.0% ownership as compared to $15,382 representing a 12.3% ownership at May 31, 1988.

In addition, the Company and Environetics, Inc. receive unlimited use of the services performed by U.S. Sourcing Services, Inc.

Note 17 - Other assets:

(a) Marketing rights:

In November, 1987, the Company acquired an assignment of a license agreement originally dated January 1, 1986 for the sole and exclusive right to market and manufacture a pollution control device. The marketing rights have been recorded at the net present value, discounted at ten percent, of royalty payments due the owner of certain patents issued on the pollution control equipment which are the subject of the license agreement.

Prior to the end of fiscal year 1989, the Company acquired outright ownership of the patents and patents pending and the unamortized value of $194,184 for the marketing rights has been written off. The Company recognized $38,837 and $33,289 of amortization expense in fiscal years 1989 and 1988, respectively (See Notes 6, 12i, 15 and 18).

(b) Demonstration equipment:

The Company also acquired and recorded, at cost, demonstration equipment acquired from Ecotech Corporation. Such equipment is to be used in the marketing of the pollution control equipment. The $340,000 cost is to be amortized over a three year period beginning December 1, 1987, which approximates the remaining term of the marketing rights discussed above.

(c) Patents, patents pending and patent application technology:

In Fiscal 1989, the Company acquired certain patents, patents pending, patent application technology and a stock subscription receivable of $400,000 from Sutton Place, Inc., a Nevada corporation, for 12,000,000 shares of the Company's common stock and 3,500,000 shares of Environetics, Inc. that the Company owned. The patents and part of the patents pending technology acquired, were the subject of the License Agreement (See Note 18a) that the Company had acquired for its subsidiary, Environetics, Inc. By the acquisition of these patents, the Company has relieved itself of the obligation to pay the annual license fee. The Company has reached a verbal understanding with Environetics, Inc. to sell the patents and patents pending in exchange for authorized, but unissued shares of Environetics, Inc. common stock.

As a result of this transaction the Company has recorded income from forgiveness of debt in the amount of $246,615, recorded the unamortized balance of the marketing rights to expense in the amount of $194,181 and recorded the patents, patents pending and patent application technology as an asset valued at $124,521.

Note 18 - Subsequent events:

In May 1989, the Company entered into a preliminary agreement with Sutton Place, Inc. to acquire a fifty (50%) percent ownership position in a Real Estate project located in the San Francisco Bay Area. The Real Estate is comprised of four parcels totaling approximately 363 acres with an appraised value of $50 Million. Subsequent to year end, the Company has entered into an agreement to acquire Sutton Place, Inc., whose sole asset is the Real Estate, for 60,000,000 shares of the Company's unissued common stock. The property is currently carried on the books of Sutton Place, Inc. at its historical cost of approximately $11.5 Million which is the current sum of mortgages due. Due to the fact that the mortgages are currently in default the transaction has not been consummated and will only be consummated upon the Company's and Sutton Place, Inc.'s ability to negotiate with the lenders to allow further time to negotiate a satisfactory sale to an interested California developer.

Subsequent to year end, the Company has entered into a letter of intent with certain unrelated parties, for the acquisition and development of Florida Real Estate. The letter of intent, which is non-binding on either party, provides for a step transaction in the acquisition of several projects. Step one is the acquisition of a) a proposed Day's Inn motel and all real property incident thereto, located on Highway 19 in central Florida; b) a proposed Daystop motel and all real property incident thereto, located at Fernandina Beach, Florida and c) the proposed Hammock Heights, Florida single family retirement sub-division. Step two is similar, however, for purposes of this report is to far in the distant future to discuss at this time. Subsequently, the Company has found the terms and conditions of this transaction to be to punitive to pursue and has abandoned any future efforts in this area for the time being.

In June, 1989, Sutton Place, Inc. paid $50,000 of the subscription note receivable.

In December, 1989, Sutton Place, Inc. assigned its 12,000,000 shares of ALanco Ltd. common stock to Imperial Real Estate Corporation ("Imperial"), an unrelated third party, and Imperial assumed the subscription note of $350,000 due to Alanco Ltd. The note is payable in monthly payments of $35,000 for ten months beginning December, 1989.

Note 19 - Managements plans for future operations:

As shown in the accompanying financial statements, current liabilities exceed current assets by $2,741,506. Furthermore, the Company has incurred significant losses from operation in the past three years of $718,616, $1,845,833 and $521,405, respectively. These facts raise doubts about the Company's ability to continue operations in the coming year.

Note 19 - Managements plans for future operations (continued):

Of the current liabilities payable approximately $1,200,000 is owed to either the Chairman of the Board, the President or to River Capital Corporation, whose President is a member of the Board of Directors of Alanco and who are all committed to the Company realizing the full potential of its assets. In order to accomplish this, management, of the Company, determined that diversification into income producing assets would eventually allow the Company to fully develop its mineral holdings in the future.

The first step in this direction was the acquisition of a subsidiary in the air pollution control field, an industry whose estimated annual expenditures are in the billions of dollars. Currently, the Company's pollution control subsidiary is, through a limited partnership that it acts as the general partner, having manufactured and installed one of its units which is to be retro-fit to a hot-mix asphalt plant. Alanco's subsidiary, Environetics, Inc. owns 52.25% of this partnership which has been granted the right to the application of the technology in the hot-mix asphalt industry. If successful, as both the Company and Environetics, Inc. believe it will be, the partnership could quickly see sales of two units per month, which generate significant income to the Company.

The second avenue undertaken by the Company was looking at acquiring real estate for development, a cyclical business, but one which will always have excellent potential.

The Company is currently looking to acquire an insurance company. The prospective insurance company, whose name can not by divulged at this time, is currently owned by another insurance company and is licensed in well over half of the states of the United States. No agreements have been executed at this time, but, terms for the purchase of the insurance company have been reached and financing has been preliminarily approved. The Company believes that this transaction could be completed and approved by the regulatory agencies within the next three to four months.

The Company has not abandoned its efforts to raise either project financing or joint venture funding for any of its mineral properties and has reason to believe that a funding agreement to place the Company's C.O.D. Mine into operation in the near future will be executed shortly.

Furthermore, the sale of the Tombstone Milling Facility to raise working capital for the Company is very close to being closed. This would give the Company, net of the Arizona Refining & Metallurgical Company's interest in the Facility, approximately $800,000.

ALANCO LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 1989, 1988 AND 1987

Note 20 - Segment information:

	For the Year Ended May 31		
	1989	1988	1987
Revenue:			
Mining and mining services	$ 42,800	$ --	$ 150,231
Petroleum	353	261	420
Corporate and other	43,000	12,417	--
Environmental Control	--	--	--
TOTAL	$ 86,153	$ 12,678	$ 150,651
Income (loss) from Operations:			
Mining and mining services	$ (118,577)	$ (775,152)	$ (431,360)
Petroleum	353	(671,477)	(7,435)
Corporate and other	(273,088)	(221,830)	(82,610)
Environmental Control	(327,304)	(177,374)	--
TOTAL	$ (718,616)	$ (1,845,833)	$ (521,405)
Identifiable assets:			
Mining and mining services	$ 9,850,035	$ 9,968,148	$ 9,309,146
Petroleum	45,098	45,098	976,154
Corporate and other	254,023	366,855	391,734
Environmental Control	298,712	521,717	--
TOTAL	$10,447,868	$10,901,818	$10,677,034
Depreciation, amortization, and valuation adjustments:			
Mining and mining services	$ 105,044	$ 108,474	$ 150,057
Petroleum	--	--	581
Corporate and other	9,301	5,287	--
Environmental Control	154,916	90,194	--
TOTAL	$ 269,261	$ 203,955	$ 150,638
Property, plant and equipment additions:			
Mining and mining services	$ --	$ --	$ 953
Petroleum	--	--	--
Corporate and other	8,884	34,476	--
Environmental Control	125,953	611,387	--
TOTAL	$ 134,837	$ 646,387	$ 953

Note 20 - Segment information (continued):

Corporate and other income or (loss) includes interest income, interest expense, equity in loss of unconsolidated subsidiary and partnerships, gain on exchange of stock and recovery of bad debts.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Shown below are the names, ages, positions of Alanco's directors and officers.

Name	Age	Position with Alanco
Richard C. Jones	71	Chairman of the Board and Tresurer, Secretary
Peter Van Oosterhout	57	Director
Philip M. Lynch	52	Director, (resigned)
Kevin L. Jones	33	President, Chief Executive Officer and Director
Steven M. Vakula	31	Secretary (resigned)

Richard C. Jones: Chairman of Alanco Ltd. since 1980. Mr. Jones founded Tombstone Mineral Reserves, Inc. and served as its president from 1969 to 1980 when it became Alanco Ltd. Mr. Jones also serves as President and Chairman of the Company's majority-owned publicly traded subsidiary, Environetics, Inc. Other directorships include Econetics, Inc. Mr. Jones was elected Secretary of Alanco in December 1988.

Peter D. Van Oosterhout: A director of the Company since 1983, Mr. Van Oosterhout is President of River Capital Corporation, (Alexandria, Virgina) a S.B.I.C., since 1982. Prior to River Capital Corporation, Mr. Van Oosterhout was President of Clarion Capital (Cleveland, Ohio) from 1973 to 1982. Other public reporting companies that Mr. Van Oosterhout serves are: Director of Northern Instruments, Co. and Director of Vision Communications Corporation.

Philip Lynch: An international businessman and investor, Mr. Lynch has served on the Board of Directors of the Company since 1981. Mr. Lynch's international business expertise has kept him busy in virtually every aspect of foreign trade and investing. Other public reporting companies that Mr. Lynch serves are: Chairman of Vision Communications Corporation; President and Director of Econetics, Inc. and Chairman of Northern Instruments, Company. Mr Lynch also serves, in the capacities listed, the following international businesses: Director with Fosbel Group of Compañies (Japan, U.S., Holland and Brazil),; Director of Cataphote, Inc., a subsidiary of Glaberbel, S.A., a Belgium corporation; and Chairman of International Forfaiting Company, an international trade financing company operated in contractual conjunction with Amro Bank. Mr. Lynch resigned from the Board of Directors in early 1989 to devote more time to his family business interests.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, continued

Kevin Jones: President of Alanco Ltd. since August of 1985, Mr. Jones was elected to the Board of Directors at the annual meeting held in December, 1987. The son of Richard C. Jones, Mr. Jones has been employed by the Company since 1979 and has served in various capacities. Mr. Jones along with the current secretary, Mr. Vakula, were responsible for the creation of the computer feasibility program utilized, by the Company, in evaluating the mineral property holdings. Other public reporting companies that Mr. Jones serves are: Secretary and Director of the Company's majority-owned subsidiary Environetics, Inc.

Steven M. Vakula: Mr Vakula has been associated with the Company since June of 1984 and was elected Secretary of the Company in December, 1987. While working to complete his degree in accounting, Mr Vakula worked for the Company from June of 1984 upto January of 1986 under the supervision of the Company's Secretary, Treasurer and Chief Financial Officer, David L. Stocking, CPA. From January of 1986 up to his return to the Company, in July of 1987, Mr. Vakula designed and installed a computer accounting system for the Frank Lloyd Wright Foundation, Taliesin Associated Architects and the Taliesin Gates Development Company. Other public reporting companies that Mr. Vakula serves are: Treasurer of the Company's majority-owned subsidiary, Environetics, Inc. Mr. Vakula resigned as Secretary in November 1988 and left the Company to pursue active involvment in an accounting firm.

ITEM 11. MANAGEMENT REMUNERATION AND TRANSACTIONS

The following table shows the remuneration paid by Alanco to all directors and officers as a group during the year ended May 31, 1989. No Individual received more than $60,000.

	Cash and Cash Equivalent Forms of Remuneration	
Capacity in which remuneration was received	Salaries (1)	Other Benefits
All directors and officers as a group (5 persons)	$ 45,189	$ --

(1) Does not include amounts paid to the firm of which a former officer and director is a partner.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a) Persons beneficially owning more than five percent (5%) of the outstanding shares of Registrant as of May 31, 1989 are listed below:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock no Par	International Minerals and Metals, Inc., 16210 Parkland Dr., Shaker Heights, Ohio 44120	2,834,420 Record and Beneficial	5.72%
" "	Sutton Place, Inc. 450 Sansome Street Suite 210 San Francisco, CA 94111	12,000,000	24.22%
" "	Inter Alia Holding Co. 16210 Parkland Dr. Shaker Heights, Ohio 44120	3,012,549	6.08%

(b) Security Ownership of Management

	Common Stock Beneficially Owned as of May 31, 1988	Percent of Class
Richard C. Jones	1,849,300	3.73%
Peter Van Oosterhout	-0-	(2)
Kevin Jones	116,667	(1)

(1) Less than one percent (1%).

(2) Mr. Van Oosterhout is president of River Capital Corporation which owns all of the outstanding (125,000 shares) of Class A cumulative preferred stock of the Company and 1,835,000 shares of common stock of the Company. Mr. Van Oosterhout disclaims any beneficial ownership of the above shares.

As of May 31, 1989, all officers and directors, excluding the recently retired director, Mr. Lynch, and Secretary of the Company, Mr. Vakula, as a group (3), owned beneficially 1,965,967 shares of Common Stock (excludes 1,835,000 shares owned by River Capital Corporation for which Mr. Van Oosterhout disclaims beneficial ownership) which constituted approximately 4.03% of the shares deemed outstanding on that date.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As per Note 3 of the Notes to Consolidated Financial Statements, the Company (by and through itself and its subsidiary Charter Mining Corporation), IMM, Inter Alia Holding Company, Philip Lynch and West Tombstone Development Limited Partnership entered into an agreement. As a result of this agreement the following are material events:

Inter Alia Holding Company which owns 5.14% of the Company's outstanding stock agreed to:

1.) indemnify and hold harmless the Company from any claim on its unconditional and continuing guarantee on the West Tombstone Development Limited Partnership claims
2.) obtain for the Company a full release from the mortgage on the property in the amount of $400,000
3.) the satisfaction of debt currently owed to Inter Alia Holding Company from the Registrant in the amount of $128,124 for advances to the Registrant over the course of a few years
4.) the complete assumption of the mortgage on the Cherry Creek Mining Claims of approximately $283,200 with full transfer on the Cherry Creek Mining Claims to the Registrant free of any mortgage.

In return, the Company agreed to:

1.) have its subsidiary Charter Mining Corporation resign as General Partner of West Tombstone Development Limited Partnership
2.) balance the account of this transaction, (this represented $400,000 out of the approximately $451,000 investment the Company had recorded in its interest in the Claims transferred to West Tombstone Development Limited Partnership) as an investment in West Tombstone Development Limited Partnership. The Company received 25% of the West Tombstone Development Limited Partnership.

Mr Philip Lynch agreed to:

1.) accept the appointment as General Partner of the West Tombstone Development Limited Partnership
2.) the satisfaction of certain debt to Mr. Lynch of $36,000.

In February, 1988 the Company settled an outstanding account payable to Robinson and Robinson, the Company's day-to-day accounting firm of which Mr. David L. Stocking, former Secretary, Treasurer and Chief Financial Officer, is one of three senior partners. The account was settled for a promissory note in the amount of $30,000 due January, 1989 and the issuance of 600,000 shares of the Company's common stock. Robinson and Robinson handled the day-to day acounting affairs up to October of 1984.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, continued

In July, 1988 the Company settled an outstanding note and account payable to Anthony Lane & Associates, a consulting geological and engineering firm, of which a former director, Anthony Lane, is the principal owner. The account was settled for a promissory note in the amount of $47,099 payable as $5,000 upon signing and $2,000 a month at ten percent per annum until paid and the issuance of 750,000 shares of the Company's common stock.

In August, 1988 the Company settled an outstanding account payable to Eide, Helmeke & Company, the Company's day-to-day accounting firm of which Mr. David L. Stocking, former Secretary, Treasurer and Chief Financial Officer, is a senior partner. The account was settled for a promissory note in the amount of $50,000 payable as $5,000 upon signing and $2,000 a month at ten percent per annum until paid and the issuance of 200,000 shares of the Company's common stock. Eide, Helmeke & Company handled the day-to day acounting affairs from October, 1984 up to June, 1987.

The Registrant has nothing further to report under this section.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

Individual financial statements of the registrant are not furnished because consolidated financial statements are furnished.

(a) (2) Financial Statement Schedules

Included in Part IV of this Report:

Schedules other than those mentioned above are omitted because the conditions requiring their filing do not exist or because the required information is given in the financial statements, including the notes thereto.

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K, continued

(b) Reports on Form 8-K

No reports on form 8-K were filed for the three months ended May 31, 1989.

(c) Exhibits

Included in Part IV of this Report:

NONE

ALANCO LTD. AND SUBSIDIARIES

Schedule V

Property, Plant and Equipment

Column A Description	Column B Balance at Beginning of Period	Column C Additions in Period	Column D Retirements at Cost	Column E Other Changes	Column F Balance at End of Period
Year Ended May 31, 1989					
Mining Equipment	$ 918,258	$ --	$ --	$ --	$ 918,258
Furniture and Equipment	70,340	8,882	--	--	79,222
Vehicles	14,954	--	--	--	14,954
Mill and Refinery	866,886	--	--	--	866,886
	$ 1,870,438	$ 8,882	$ --	$ --	$ 1,879,320
Year Ended May 31, 1988					
Mining Equipment	$ 932,258	$ --	$ 14,000	$ --	$ 918,258
Furniture and Equipment	35,864	34,476	--	--	70,340
Vehicles	14,954	--	--	--	14,954
Producing Oil and Gas Properties and Related Equipment	37,500	--	--	37,500	--
Mill and Refinery	866,886	--	--	--	866,886
	$ 1,887,462	$ 34,476	$ 14,000	$ 37,500	$ 1,870,438
Year Ended May 31, 1987					
Mining Equipment	$ 932,258	$ --	$ --	$ --	$ 932,258
Furniture and Equipment	34,911	953	--	--	35,864
Vehicles	14,954	--	--	--	14,954
Producing Oil and Gas Properties and Related Equipment	37,500	--	--	--	37,500
Mill and Refinery	866,886	--	--	--	866,886
	$ 1,886,509	$ 953	$ --	$ --	$ 1,887,462

ALANCO LTD. AND SUBSIDIARIES

Schedule VI

Accumulated Depreciation and Amortization
of Property, Plant and Equipment

Column A Description	Column B Balance at Beginning of Period	Column C Additions in Period	Column D Retirements at Cost	Column E Other Changes	Column F Balance at End of Period
Year Ended May 31, 1989					
Mining Equipment	$ 385,527	$ 62,033	$ --	$ --	$ 447,560
Furniture and Equipment	33,323	9,430	--	--	42,753
Vehicles	14,954	--	--	--	14,954
Mill and Refinery	156,561	35,383	--	--	191,944
	$ 590,365	$ 106,846	$ --	$ --	$ 697,211
Year Ended May 31, 1988					
Mining Equipment	$ 336,936	$ 62,591	$ 14,000	$ --	$ 385,527
Furniture and Equipment	28,199	5,124	--	--	33,323
Vehicles	14,954	--	--	--	14,954
Mill and Refinery	121,178	35,383	--	--	156,561
	$ 501,267	$ 103,098	$ 14,000	$ --	$ 590,365
Year Ended May 31, 1987					
Mining Equipment	$ 275,456	$ 61,480	$ --	$ --	$ 336,936
Furniture and Equipment	21,307	6,892	--	--	28,199
Vehicles	14,954	--	--	--	14,954
Mill and Refinery	89,428	31,750	--	--	121,178
	$ 401,145	$ 100,122	$ --	$ --	$ 501,267

ALANCO LTD. AND SUBSIDIARIES

Schedule VIII

VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended May 31, 1989, 1988 and 1987

Column A	Column B	Column C		Column D	Column E
	Balance at	Additions			Balance at
Description	Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	End of Period
Reserves deducted from assets to which they apply - for doubtful accounts receivable					
May 31, 1989	$ 0	$ --	$ --	$ --	$ 0
May 31, 1988	$ 81,400	$ --	$ --	$ 81,400	$ 0
May 31, 1987	$ 120,000	$ 36,400	$ --	$ (75,000) (1)	$ 81,400

(1) The $75,000 represents the realization of an account previously determined to be uncollectable, but for which the Company has received payment

ALANCO LTD. AND SUBSIDIARIES

Schedule IX

Short Term Borrowings

For each of the Three years in the Period Ended May 31, 1989

Column A Category of aggregate short term borrowing	Column B Balance at End of Period	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During Period	Column E Average Amount Outstanding During Period	Column F Weighted Average Interest Rate During Period
Year Ended May 31, 1989 Notes payable to bank	$ --	9.25%	$ 50,000	$ 9,600	9.25%
Year Ended May 31, 1988 Notes payable to bank	$ 50,000	9.90%	$ 50,000	$ 50,000	9.90%
Year Ended May 31, 1987 Notes payable to bank	$ 50,000	12.50%	$ 50,000	$ 33,250	12.50%

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alanco Ltd.

Richard C. Jones, Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report signed below by the following persons on behalf of the Registrant and in the capcities and on the dates indicated.

NAME	TITLE	DATE
Richard C. Jones	Chairman of the Board of Directors and Treasurer	3/20/90
Peter Van Oosterhout	Director	3/20/90
Kevin L. Jones	Director, President and Chief Executive Officer	3/20/90

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule I

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

April 12, 1990

Commission file number 0-9347

ALANCO LTD.

(Exact name of registrant as specified in its charter)

ARIZONA	**86-0220694**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14555 N. Scottsdale Rd., Suite 200, Scottsdale, Arizona	**85260**
(Address of Principal Executive Office)	(Zip Code)

(602) 991-8540

(Registrant's telephone number, including Area Code)

Item 1. Changes in Control of Registrant

As a result of the conversion of debt to equity, as described in Item 2. of this form 8K, certain individuals and companies have acquired 24,006,410 shares of the company's authorized but unissued common stock. The shares acquired represent approximately 48.5% of the outstanding shares of the Company prior to their issuance and 32.6% of the outstanding shares after their issuance.

The Table on the following page sets forth the name of each individual or entity who acquired shares , the amount of consideration paid, and the percent of voting securities now owned.

Name of Acquiree	Debt Amount Tendered	Number of Shares Received	Percent of Common Stock Prior	Percent of Common Stock After	Note
Ecotech Corporation	$ 411,453	3,516,693	0.00%	4.77%	
River Capital Corporation	$ 1,112,308	9,506,906	3.70%	15.40%	(1)
Arjon Enterprises	$ 606,921	5,187,360	0.08%	7.10%	(2)
Richard C. Jones	$ 235,489	2,012,727	3.72%	5.24%	(2)
W. Allen Broughton	$ 156,637	1,338,780	0.00%	1.82%	
Ira B. Hall	$ 105,333	900,284	1.76%	2.41%	
David L. Stocking	$ 20,667	176,638	0.11%	0.32%	
James Rowan	$ 13,333	113,959	1.14%	0.92%	
Anthony Lane	$ 73,766	698,910	1.51%	1.97%	
Richard A. Steinke	$ 26,667	227,920	0.28%	0.50%	
Sidelmaronte IV	$ 30,000	256,410	0.05%	0.38%	
Inter-Alia Holding Co.	$ 8,169	69,823	* 6.07%	4.18%	
	$ 2,800,743	24,006,410	18.42%	45.01%	

Note Reference

(1) Mr. Peter Van Oosterhout, a director of the Company is Chairman and President of River Capital Corporation and disclaims beneficial ownership to any of the shares acquired hereby.

(2) Arjon Enterprises is a family corporation operated by Mr. Richard C. Jones for the beneficial interest of his children and their children.

Item 2. Acquisition or Disposition of Assets

With recent discussions on and actual regulatory actions, taken by both the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. (herein referred to as the "SEC" and "NASD", respectively) management of the Company had reviewed the need to restructure its outstanding debt. The initial review by the Company was begun approximately one year ago.

As a result of the Company's operating history, it became apparent to management that in order to maintain its NASD listing that this restructuring was imminently forthcoming. On April 2, 1990 at a NASD hearing, regarding the Company's listing, discussion was heard regarding this matter. As a result of that hearing a ruling was entered by NASD that in order for the Company to maintain its NASD listing it would have to convert $2,500,000 of debt listed on the financial statements by May 1, 1990 or lose the NASD listing.

The Board of Directors of the Company took immediate actions and, at a special meeting held on April 12, 1990, passed a resolution authorizing the issuance of up to 25,000,000 shares of common stock in exchange for the conversion of debt to equity. The Board also determined that the only fair way to exchange the debt was at the current book price of the Company which is $0.117 per share.

As a result of this action twelve agreements have been prepared and executed with a pre-effective date as of March 31, 1990 and one agreement had previously been prepared and executed in February of 1990. Taking into consideration all of these agreements, a total of $2,800,743 was converted from debt into equity in exchange for the total issuance, by the Company, of 24,006,410 shares of the authorized, but unissued shares of common stock of the Company.

Item 7. Financial Statements, Pro Forma Financial Statements, and Exhibits.

(b) Pro Forma Financial Information

Pro froma financial information, required to be filed pursuant to Item 7 of Form 8-K reflecting the debt conversion to common stock.

(c) Exhibits

"A" Proforma financial statements

"B" Information Statement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALANCO, LTD.

Dated April 26, 1990

By: Ken L. Jones

Kevin L. Jones
President

Exhibit "A"

ALANCO LTD. AND SUBSIDIARIES

Proforma Financial Statements

On Conversion of debt to Equity
at period ending
March 31, 1990

ALANCO LTD.
INDEX

Page Number

Part I. FINANCIAL INFORMATION

ALANCO LTD. AND SUBSIDIARIES
PROFORMA CONSOLIDATED BALANCE SHEET

ASSETS

ASSETS	(unaudited) MARCH 31, 1990	MAY 31, 1989
Current Assets:		
Cash	$ 5,126	$ 126
Accounts receivable	51,000	14,540
Prepaid expenses	0	155
Total current assets	56,126	14,821
Property, plant and equipment (Notes 6, 8 and 10):		
Furniture and equipment	81,844	79,222
Mill and refinery	866,886	866,886
Vehicles	14,954	14,954
Mining equipment	899,258	918,258
	1,862,942	1,879,320
Less accumulated depreciation	752,500	697,211
	1,110,442	1,182,109
Other assets		
Patents, patents pending and patent application technology (Notes 12i, 15 and 17c)	124,521	124,521
Investments in and advances to partnerships (Notes 3, 4, 8, and 9)	647,633	645,633
Investments in and advances to unconsolidated subsidiary at equity (Notes 9 and 14)	9,750	19,338
Undeveloped leases, at cost	7,598	7,598
Mineral properties, at cost (Notes 3, 4, 6, 7, 8, 9, and 12)	8,060,205	8,060,205
Inventories of mineral concentrates	157,218	157,218
Investment in oil property	0	37,500
Investment in and advances to unconsolidated subsidiary at cost (Note 16)	25,600	21,223
Demonstration equipment, less accumulated amortization of $172,842 for May 1989 and $201,873 for August 1989	77,418	174,191
Other	10,559	3,511
	9,120,502	9,250,938
	$ 10,287,070	$ 10,447,868

LIABILITIES AND SHAREHOLDERS EQUITY

	(unaudited) MARCH 31, 1990	MAY 31, 1989
Current liabilities:		
Notes payable, shareholders (Note 3)	$ 90,000	$ 545,138
Current maturities of notes, royalties, and contracts payable (Note 3, 6, 14 and 17)	202,573	575,534
Accrued payroll taxes	64,394	80,702
Accounts payable	229,610	393,582
Billings in excess of cost (Note 3, 4 and 8)	143,934	234,750
Accrued expenses	82,361	352,499
Accrued expenses - related parties	50,873	178,151
Advances from officers and directors (Note 3)	79,236	395,971
Total current liabilities	942,982	2,756,327
Long-term liabilities less current maturities (Notes 6, 14 and 17)	0	340,000
Total Liabilities	942,982	3,096,327
Commitments and contingencies (Notes 9 and 13)		
Minority interest in consolidated subsidiary (Note 15)	(18,033)	67,247
	(18,033)	67,247
Redeemable preferred stock, Class A, (Note 11):		
12% cumulative, voting, convertible, authorized 5,000,000 shares at May 31, 1989 and 1988, issued and outstanding 125,000 for both periods	750,000	750,000
Cumulative dividends	0	450,000
	750,000	1,200,000
Shareholders' equity (Notes 11 and 12):		
Preferred stock, Class B, cumulative, voting, 20,000,000 shares authorized for both periods and none issued	--	--
Common stock, no par value, authorized 250,000,000 shares for both periods, issued and outstanding, 48,548,549 at May 31, 1989 and at August 31, 1989	21,004,496	18,293,753
Common stock subscriptions receivable	(210,000)	(400,000)
Accumulated deficit	(12,182,375)	(11,809,459)
	8,612,121	6,084,294
	$ 10,287,070	$ 10,447,868

See notes to proforma financial statements.

ALANCO LTD. AND SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS

	Ten Months Ended March 31, 1990
REVENUES	
Related parties	$ 126,953
All other	54,000
	180,953
OPERATING EXPENSES	
Direct Service	174,975
General and Administrative	403,294
	578,269
OTHER INCOME AND (EXPENSE)	
Interest income	74
Interest expense	(129,094)
Gain on sale of mining equipment	6,627
Income from foregiveness of debt	9,993
Minority interest in net loss of consolidated subsidiary	136,800
	24,400
NET LOSS	$ (372,916)
Net loss per share of common stock	
Loss before conversion of debt	$ (0.0075)
Loss including shares issued on conversion of debt	$ (0.0051)
Weighted average number of common shares outstanding before conversion of debt	49,617,769
Weighted average number of common shares outstanding before conversion of debt plus shares issued on conversion	73,153,189

See Notes to Proforma Financial Statements

ALANCO LTD. AND SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Subscriptions Receivable	Retained Earnings (deficit)	TOTAL
	Shares	Amount			
Balances May 31, 1989	49,548,549	$ 18,293,753	$ (400,000)	$ (11,809,459)	$ 6,084,294
Collection of subscription receivable			190,000		190,000
Issued for option on insurance company	100,000	--			
Issued for settlement of note payable	470,990	47,099			47,099
Dividend accrued on redeemable preferred stock		(90,000)			(90,000)
Issued in conversion of debt to equity	23,535,420	2,753,644			2,753,644
Net loss for the period ending March 31, 1990				(372,916)	(372,916)
Balances March 31, 1990	73,654,959	$ 21,004,496	$ (210,000)	$ (12,182,375)	$ 8,612,121

See accompanying notes to proforma consolidated financial statements

ALANCO LTD. AND SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF CASH FLOW

		Ten Months Ended March 31, 1990
OPERATING ACTIVITIES		
Net Loss	$	(372,916)
Adjustments to net loss for items not requiring cash:		
Depreciation and amortization		152,062
Minority interest in net loss of subsidiary		(136,800)
Income from foregiveness of debt		(9,993)
Gain on sale of mining equipment		(6,627)
Gain on restructuring of debt for equity conversion		(21,860)
(Increase) Decrease in assets:		
Prepaid expenses		155
Accounts receivable		(36,460)
Increase (Decrease)in liabilities:		
Accounts payable, accrued expenses and other current liabilities		(1,942.365)
Net cash used in operating activities		(2,374,804)
INVESTMENT ACTIVITIES:		
Additions to property, plant and equipment		(16,827)
Retirements of property, plant and equipment		33,205
Decrease in other assets		33,663
Net cash provided by investing activities	$	50,041

See Notes to Proforma Financial Statements

ALANCO LTD. AND SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF CASH FLOW
(continued)

	Ten Months Ended March 31, 1990
FINANCING ACTIVITIES:	
Additions to debt:	
Cumulative dividend	$ 90,000
Payments on debt:	
Long term - other	(340,000)
Cumulative dividend	(540,000)
Issuance of common stock for conversion of debt to equity	2,800,743
Subscriptions received	190,000
Accrued Interest	129,020
Net cash provided by financing activities	$ 2,329,763
(DECREASE) INCREASE IN CASH	$ 5,000
CASH AT BEGINNING OF PERIOD	$ 126
CASH AT END OF PERIOD	$ 5,126

See Notes to Proforma Financial Statements

ALANCO LTD. AND SUBSIDIARIES
NOTES TO PROFORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. - PROFORMA FINANCIAL STATEMENTS

The proforma balance sheet as of March 31, 1990, the proforma consolidated statements of operations, the proforma consolidated statements of shareholders' equity and the proforma consolidated statements of cash flow for the ten months ended March 31, 1990 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operation, changes in shareholders' equity and statements of cash flow at March 31, 1990 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these proforma consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's May 31, 1989 Annual Report on Form 10-K. The results of operations for the period ending March 31, 1990 are not necessarily indicative of the operating results for the full year.

NOTE 2. - LOSS PER SHARE AND WEIGHTED AVERAGE NUMBER OF SHARES

All references herein with regard to shares outstanding, weighted average number of common shares and earnings (loss) per share have been adjusted to reflect the above referenced shares. The convertible preferred stock was not used in the calculation of weighted average number of common shares as its inclusion would be antidilutive.

For purposes of these proforma consolidated financial statement, the weighted average number of shares have been first presented without any consideration for the issuance of shares in exchange for debt and then presented as though the number of shares issued in exchange for the debt had been outstanding for the whole period herein presented. The Company believes that this properly reflects the extremes, both high and low, on the net loss per share.

NOTE 3. - DEBT CONVERSION AND ISSUANCE OF SHARES

With recent discussions on and actual regulatory actions, taken by both the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. (herein referred to as the "SEC" and "NASD", respectively) management of the Company had reviewed the need to restructure its outstanding debt. The initial review by the Company was begun approximately one year ago.

As a result of the Company's operating history, it became apparent to management that in order to maintain its NASD listing that this restructuring was imminently forthcoming. On April 2, 1990 at a NASD hearing, regarding the Company's listing, discussion was heard regarding this matter. As a result of that hearing a ruling was entered by NASD that in order for the Company to maintain its NASD listing it would have to convert $2,500,000 of debt listed on the financial statements by May 1, 1990 or lose the NASD listing.

The Board of Directors of the Company took immediate actions and, at a special meeting held on April 12, 1990, passed a resolution authorizing the issuance of up to 25,000,000 shares of common stock in exchange for the conversion of debt to equity. The Board also determined that the only fair way to exchange the debt was at the current book price of the Company which is $0.117 per share.

As a result of this action twelve agreements have been prepared and executed with a pre-effective date as of March 31, 1990 and one agreement had previously been prepared and executed in February of 1990. Taking into consideration all of these agreements, a total of $2,800,743 was converted from debt into equity in exchange for the total issuance, by the Company, of 24,006,410 shares of the authorized, but unissued shares of common stock of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Management has pursued several different avenues of financing, including, among other things, negotiations with venture capital firms, pursuit of the sale of the Company's Tombstone Mill Facility and possible joint venture partner's for the Company's pollution control company.

During the ten month period ending March 31, 1990, management agreed to accept a substitute financial partner in place of Sutton Place, Inc. who, under the modified investment agreement, has begun to fulfill the contract.

During the period ending March 31, 1990 the Company, reached agreements with and has converted a total of $2,800,743 of the debt recorded on its books into equity in a transaction that does not dilute the per share price to the existing shareholders. As a result of the debt conversion and the Company's re-listing on NASD, the Company is now moving forward with its California based investment banking firm in arranging a $1,500,000 capital injection, which the Company believes it could receive within the next 30 days, to be followed by an additional $1,500,000 in six months and the preparation of and filing for an equity funding of at least $6,000,000.

With the Company's current Washington based partner and its new relationship with the California based investment banking firm, management believes that its short term working capital position is very strong.

In January of 1990, the Company's pollution control subsidiary, Environetics, Inc. reached agreements with a steel fabricating firm in Hutchinson, Kansas for the prefabrication of one of its units for installation on a hot-mix asphalt plant and with a hot-mix asphalt company, located in Prescott Valley, Arizona for the installation of the unit on the plant. Currently, the unit is being manufactured and the installation is currently scheduled for May, 1990.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Results of Operations

The Company's revenues for the ten months ended March 31, 1990 were $180,953. Of the income generated, $54,000 was from lease fees on the Company's Tombstone Mill Facility, $90,816 is associated with claim service work (previously recorded as billings in excess of costs), $25,000 was from a service contract associated with an engineering project and the balance is associated with either, income on lease fees from an unconsolidated subsidiary and miscellaneous service work.

Operating expenses for the ten month period ending were $578,269, with $403,294 being associated with general and administrative expenses.

The Company's net loss for the ten months ended March 31, 1990 was $372,916.

Due to the conversion of debt, the Company has not presented comparative figures as it believes that they may be misleading.

Exhibit "B"

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INFORMATION STATEMENT

Notice of Annual Meeting of Stockholders

Notice of Annual Meeting of Shareholders

To be Held on June 22,1990
At 2:00 p.m. in Scottsdale, Arizona

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Alanco, Ltd. (the "Company"), will be held at 2:00p.m. (MST) on June 22nd ,1990 at Thunderbird Inn, 7515 E. Butherus Blvd., Scottsdale, AZ 85260 to consider and act upon the following matters:

(1)To elect seven directors to serve until the next Annual Meeting and until their successors have been elected and qualified;

(2)To approve the engagement of Laventhal and Harwath as independent certified public accountants for the Company for the fiscal year ending May 31, 1990;

(3)To approve the Company's reverse split of its Common Stock on a 1:4 ratio;

(4)Ratify the action taken by the Board of Directors to convert debt to equity on a non-delutive basis;

(5)To amend the Article of Incorporation to change the name of the Company to ALANCO RESOURCES CORPORATION;

(6)To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record on the books of the Company at the close of business on April 30, 1990, will be entitled to notice of and to vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

Chairman of the Board
April 12, 1990

IMPORTANT

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

DRAFT

Information Statement

For Annual Meeting of Shareholders
To be held June 22 ,1990

This statement is furnished in connection with matters to be voted at the Annual Meeting of Shareholders of Alanco, Ltd. (the "Company") to be held at 2:00 p.m. (MST) on Friday, June 22, 1990 at Thunderbird Inn, 7515 E. Butherus Blvd., Scottsdale, AZ 85260, and at any and all adjournments thereof with respect to the matters referred to in the accompanying notice.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

VOTING SECURITIES AND RECORD DATE

The Common Stock (no par value) is the only outstanding class of voting securities. Holders of record at the close of business onApril 30, 1990 are entitled to notice of the meeting and to vote at the meeting or any adjournment thereof. At the close of business on April 30, 1990, 61,548,549 shares of Common Stock were issued, outstanding and entitled to vote. The holders of Common Stock will vote as one class at the meeting of sharehold ers. Each share of Common Stock entitle the holder thereof on the record date to one vote at the meeting.

QUORUM AND PRINCIPAL SHAREHOLDERS

The presence, in person or by proxy. of the holders of a majority of the total of the outstanding voting shares is necessary to constitute a quorum at the Annual Meeting. Approval of the pro posals to be presented at the Annual Meeting will require the affirmative vote of the holders of a majority of the shares present at the meeting.

The following table sets forth, as of April 30, 1990, the number of shares of the Company's voting security, held by each director (and nominee) and by all officers and directors of the Company as a group. The percentages have been calculated by combining the Common Stock and by treating as outstanding for purposes of calculating the percentage ownership of a particular person, all shares of the Company's stock outstanding as of such date and all such shares issuable to such person in the event the exercise of the person's warrants, if any, exercisable at such date or within 60 days thereafter.

Directors (all of whom are nominees):

Name and Address of	Amount of Beneficial Ownership	Percentage of Beneficial Ownership(1) Voting Securities
Richard C. Jones	1,849,300	3.00%
Kevin L. Jones	116,667	(6)
Peter Van Oosterhout	1,835,000 (3) (4)	2.98%
Sophia Wong	6,000,000 (5)	9.75%
Larry Li	6,000,000 (5)	9.75%
James Rickets	-0-	
Dennis K. Pflug	-0-	

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(1) All shares are beneficially owned and sole investment and voting power is held by the persons named.

(2) Excludes 1,627 shares held by Mr. Jones' wife and 25,667 shares held by his adult children.

(3) Mr. Peter Van Oosterhout is the president and chairman of River Capital, Corp. (formerly RHIT Capital Corp.), a small business investment firm.

(4) Excludes shares issuable on warrants granted for the conversion of debt into equity, which said conversion of warrant is exercisable through July 1, 1995.

(5) These shares represent 50% of 12,000,000 shares owned by Imperial Real Estate Corporation that Ms. Wong and Mr. Li each own one half.

MATTERS TO BE ACTED UPON

Election of Directors

Seven directors are to be elected at the Annual Meeting and those persons elected will hold office until the next Annual Meeting of Shareholders and until their successors have been elected and qualified. The by-laws provide that the Board of Directors shall consist of no less than three (3) and no more than nine (9) members, with the actual number to be established by resolution of the board of directors. The current Board of Directors has by resolution established the number of directors at seven.

Any vacancy that occurs during the year may be filled by a major ity vote of the Board of Directors without any further shareholder action. The vacancy may be filled for the remainder of the term, which is until the next Annual Meeting. There is no reason to believe that any nominees will be unable to serve if elected, and to the knowledge of management all nominees intend to serve the entire term for which election is sought.

Nominees	Age	Director Since	Position with Company
Richard C. Jones	72	1979	Chairman, Director
Peter Van Oosterhout	58	1983	Director
Kevin Jones	34	1987	President, Director
Larry Li	44	1989	Director
Sophie Wong	40	1989	Director
Dennis K. Pflug	35	1989	Director
Mr. James Richets	?	New	None

<u>Richard C. Jones</u> - Chairman of Alanco, Ltd.. since August of 1980. ;Mr. Jones founded Tombstone Mineral Reserves, Inc. and served as it's president from 1969 to 1980 when it become Alanco, Ltd..

<u>Peter Van Oosterhout</u> - President of River Capital Corporation, (Providence, Rhode Island) since 1082. Mr. Van Oosterhout was President of Clarion Capital (Cleveland, Ohio) from 1973 to 1982.

<u>Kevin Jones</u> - President and Chief Executive Officer of Alanco, Ltd. since August 1985. Mr. Jones is the son of Richard C. Jones and has been employed by the Company since 1979.

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Larry Li - Principal and stockholder of Imperial Real Estate Corportation Seattle, Washington.

Sophia Wong - Principal and stockholder of Imperial Real Estate Corportation Seattle, Washington.

Dennis K. Pflug - Attorney for Imperial Real Estate Corporation in Seattle, Washington.

Mr. James Rickets - Corrections Consulting/Chairman and CEO International Corrections Corp.

Approval of the amendment to the articles of Incorporation of the corporation to reverse split the common stock on a 1:4 basis and to approve changes and alterations to the classes of preferred shares.

Ratification of the conversion of debt for equity on a non-delutive basis to other stockholders

Approval of the ammentment to the articles of Incorporation of the corporation to change the Nname of the Company to ALANCO RESOURCES CORPORATION.

Approve the engagement of Laventhal and Harwath as independent certified public accountants for the Company for the fiscal year ending May 31, 1990;

Remuneration:
REMUNERATION AND OTHER COMPENSATION OF MANAGEMENT

No Director or Officer of the Corporation received a remuneration for services performed in said positions in excess of an annual salary of Sixty Thousand ($60,000.00) Dollars.

The following table shows the remuneration paid by Alanco to all directors and officers as a group during the year ended May 31, 1989. No individual received more than $60,000.00.

Cash and Cash Equivalent Forms of Remuneration

Capacity in which remuneration was received	Salaries (1)	Other Benefits (2)
All directors and officers as a group (7 persons)		

(1) Includes amount paid to firm of which an officer and a director is a partner.

(2) Estimated personal-use value of automobile furnished by Alanco. There was no contingent remuneration payable to direc tors or officers. Officers are entitled to reimbursement for ordinary and necessary business expenses in connection with the business of the Company. There are no other payments or transac tions involving any officer or director.

OTHER MATTERS

Management does not know of any other matters which are likely to be brought before the June 22, 1990 Annual Meeting. However, in the event that any other matters properly come before the June 22, 1990 Annual Meeting, they will be acted upon accordingly.

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STOCKHOLDER PROPOSALS

Proposals by stockholders to be presented at the next annual meeting to be held in January 1991 must be received by the Secre tary of the Company on or before September 15, 1990 in order to be included in the information statement for that meeting. Proposals should be directed to:

Alanco, Ltd.
Secretary - Annual Meeting Proposal
14555 North Scottsdale Road, Suite 200
Scottsdale, AZ 85260

A COPY OF THE COMPANY'S 1989 ANNUAL REPORT (FORM 10-K) AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE FINAN CIAL STATEMENTS AND SCHEDULES THERETO IS INCLUDED WITH THIS INFORMATION STATEMENT AND MAY ALSO BE OBTAINED WITHOUT CHARGE BY WRITING TO:

Alanco, Ltd.
Form 10-K Mailing
14555 North Scottsdale Road
Suite 200
Scottsdale, AZ 85260

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

SS. Richard C. Jones

Richard C. Jones

Chairman of the Board

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule J

ALANCO, LTD.

14555 N. Scottsdale Road, Suite 200, Scottsdale Arizona 85260
(602) 991-8540

NEWS RELEASE

May 1, 1990

FOR IMMEDIATE RELEASE

SCOTTSDALE, ARIZONA The Board of Directors have approved the conversion of $2,800,743 of short and long term debt of Alanco, Ltd. to Common Stock on a non-dilutive basis to the current shareholders.

Richard C. Jones, Chairman of the Board, stated, "This is a big step in the overall restructuring of the Company so we are ready to go forward aggressively in the '90's. The conversion of our debt, held primarily by insiders and employees, expresses the confidence of those most active in the Company's daily operations concerning our future."

Mr. Jones further stated, "It gives me great pleasure to announce the completion of negotiations with Pacific Equities Corporation to represent us as an Investment Banking firm. Within the next 60 days Alanco will receive a minimum of $1,650,000 of equity capital through an arrangement with Pacific Equities."

James G. Ricketts, Ph.D., President and CEO of International Corrections Corporation, has been approinted to the Board of Directors by Mr. Jones, Chairman of Alanco Ltd. "Jim Ricketts brings years of experience, management skills, a creative mind and is a excellent addition to our present Board," said Jones.

The Board also approved at the same meeting a one (1) for four (4) reverse split of the outstanding shares of Alanco, Ltd. Jones stated, "This action became necessary due to the action of the Securities and Exchange Commission and NASDAQ's intention to follow SEC's direction regarding minimum maintenance requirements for listing on NASDAQ, for the Company to move ahead with its diversification, we had to position the Company to enable us to tap the larger equity markets. The conversion of our debt to equity and the reverse split of our common stock is a major step in that direction."

Jones also noted that the Board approved a name change. The Company's name will be changed from Alanco, Ltd. to Alanco Resources Corporation. Alanco's symbol on NASDAQ is "ALAN" and will remain so after the name change.

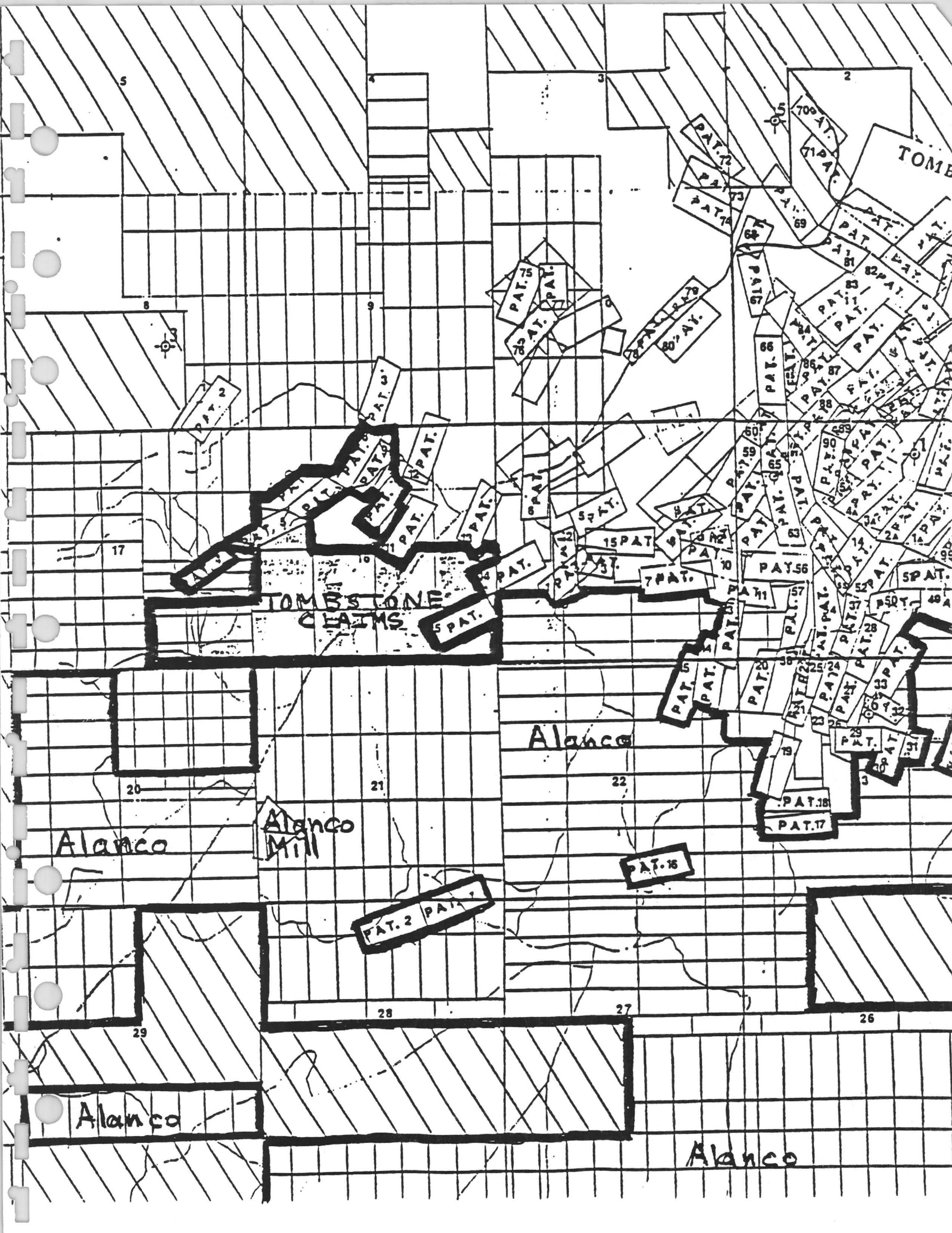
The stock split and name change are subject to approval by the Shareholders at the Annual Meeting set by the Board for June 22, 1990 in Scottsdale, Arizona.

Kevin Jones, President of Alanco, Ltd. said an Information Statement is currently being prepared for filing with the SEC. The appropriate Form 8K covering the above changes of control and assets, together with the February 28, 1990 10Q have been filed with the Securities and Exchange Commission and the National Association of Securities Dealers (NASD). "This means we have met all of the requirements set forth by NASD Hearing on Qualifications for our continued listing on NASDAQ," said Jones.

Tombstone Silver Mines, Inc.

Amended Disclosure Statement

Schedule K



TOMBSTONE CLAIMS
Alanco
Alanco Mill
Alanco
Alanco
Alanco
PAT. 2
PAT. 16
PAT. 17
PAT. 18
TOMB